

FINANCIAL TIMES

السوق المالية

LA's toy industry
Restoring life to the inner city



Islam in Asia
Tolerance pays off

Noise pollution
US authorities curb the airlines

FT Exporter
Green routes across Europe

World Business Newspaper

WEDNESDAY JULY 10 1996

Ulster stand-off prompts fear of end to Loyalist truce

Loyalist leaders warned last night that Northern Ireland was heading for further violence unless the security forces backed off in their confrontation with Protestant marchers. Demonstrators have already burnt Roman Catholic homes and blocked main streets. UK ministers fear an escalation could prompt leaders of Protestant paramilitaries to follow the Irish Republican Army in ending their ceasefire. UK prime minister John Major told parliament that the escalation of violence was indefensible. Page 12; Editorial Comment, Page 11

US faces showdown over UN chief: The US may be set for a showdown with the developing world over the Organisation of African Unity endorsed Boutros Boutros-Ghali's bid for re-election as United Nations secretary-general. The US is determined to veto his reselection. Page 5

Groups close to pact on videodiscs: Officials at Japanese electronics company, Toshiba, said it was close to an agreement with Japan's Sony and Matsushita, Philips of the Netherlands and Hewlett-Packard of the US on a specification for digital videodiscs, the next generation storage device for home entertainment. Page 4

India approves \$2.5bn power projects: India's government formally approved the \$2.5bn Debbol power project, India's biggest and most politically controversial foreign investment, after a year of uncertainty. Page 4

Lamm seeks presidential nomination: The former Democratic governor of Colorado, Richard Lamm, threw his hat into the presidential ring by announcing he would seek the nomination of Ross Perot's Reform party. Page 6

Moves to support Japan's recovery: Japan's Economic Planning Agency will issue a new set of economic deregulation measures on Friday in an attempt to support the country's economic recovery. Page 12

Polish eurobond snapped up: European and Asian investors flocked to buy a eurobond issue by Poland, confirming growing international interest in the eastern European market. Page 15

Insurers seek curbs on greenhouse gases: A group of the world's insurance companies stepped up pressure for substantial cuts in greenhouse gases and tougher curbs on environmentally damaging emissions. Page 13

Prudential Insurance fined \$36m: Regulators recommended Prudential Insurance of the US should pay \$36m in fines for improper sales practices. Page 6

Bodies unearthed at Srebrenica: War crimes investigators unearthed 10 bodies at a mass grave of Muslims apparently murdered by Serb forces after the fall of Srebrenica a year ago. Bosnian Serbs' defiance, Page 8

GM to recall 300,000 cars: General Motors is recalling nearly 300,000 1995 and 1997 model cars because of a defect that may cause the vehicles to backfire and in rare cases lead to engine fires.

MTV, the pop music network owned by Viacom, will next month launch a 24-hour cable television channel which offers simultaneous viewing on personal computers of music videos and worldwide web pages containing related data. Page 15

Camels light up to avoid hazards: Camels have been fitted with red tail lights in the west Australian tourist town of Broome. Two camel ride operators have agreed to a town council request to attach battery-powered bicycle lights to the rear of the camels to reduce traffic hazards.

Crickets: England drew with India in the final Test at Trent Bridge, Nottingham, to win the three-game series 1-0.

Queen pays tribute to Mandela: The Queen of England hailed president Nelson Mandela as the saviour of South Africa as he began a state visit to Britain. As thousands gathered in London to greet Mr Mandela, she praised his leadership in uniting black and white in a fledgling democracy.



STOCK MARKET INDICES	
New York S&P 500	5,884.81 (+33.98)
Dow Jones Ind. Av.	4,384.81 (+33.98)
NASDAQ Composite	1,154.14 (+5.32)
Europe and Far East	
CAC40	2,975.57 (+2.48)
DAX	2,982.18 (+1.14)
FT-SE 100	3,792.5 (+10.8)
Nikkei	21,918.2 (-5.12)
THE LUNCHTIME RATES	
Federal Funds	5.25%
3-mth Treas. Bill	5.325%
Long Bond	5.8%
Yield	3.74%
OTHER RATES	
UK 3-mth Interbank	5.5% (same)
UK 10 yr Gilt	6.75% (6.75%)
France: 10 yr OAT	104.56 (104.5)
Germany: 10 yr Bund	57.26 (57.5)
Japan: 10 yr JGB	97.8178 (97.8557)
NORTH SEA OIL (Argonne)	
Strait Dated	\$19.71 (19.62)

GOLD	
New York COMEX	338.5 (342.1)
Avg	338.5 (342.1)
London	338.2 (341.9)
DOLLAR	
New York Interbank	1.58
DM	1.5785
FF	5.1813
Sfr	1.2827
Y	118.25
London	1.5817 (1.5549)
DM	1.5733 (1.5278)
FF	5.1873 (5.172)
Sfr	1.2808 (1.2833)
Y	118.24 (118.25)
STERLING	
DM	2.3657 (2.3748)
Y	118.24
Yoko \$ close	Y 118.24

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Tyremaker faces first online action from pickets

By Robert Taylor in London

The world's first electronic picket line is being planned this week in an international trade union campaign against Bridgestone, the Japanese-based tyre-maker, over its sacking two years ago of 2,300 striking workers at Firestone, its US subsidiary.

The Brussels-based International Federation of Chemical, Energy, Mine and General Workers Unions (ICEM) said yesterday

it wanted millions of Web users worldwide to bombard the company with complaints over the way it had treated the Firestone workers to commemorate the second anniversary of the sackings.

The company's US headquarters in Nashville, Tennessee, last night accused the unions of "corporate harassment".

Their action "will not work in the US", it said. "We have lived with this dispute for two years and we had our best business

performance to 1995 and in the first six months of this year. People here are just ignoring the dispute."

The unions in ICEM have compiled a detailed database on the company which will be accessible to Web users through "hot links" from one web site to another. This will provide users with a mass of information about Bridgestone's business activities.

It includes the e-mail addresses of senior company

executives in the US and Japan as well as company plants worldwide, and the names of its institutional shareholders, suppliers and clients.

The Bridgestone pages to the ICEM web site also provide direct "hot links" to the company's own sites, with access to pages where company publicity leaflets can be ordered. "Cyber-protesters will be filling these with their own robust views," ICEM said yesterday.

"Bridgestone faces a cyber-

demo," said Mr Vic Thorpe, ICEM's general secretary. "For the first time, anyone with Web access will be able to wage an integrated corporate campaign against a leading multinational. As the cyberdemo mounts, Bridgestone will be seeing some home truths on its home pages."

The unions' symbol for the campaign is a black flag. The Bridgestone pages of ICEM include a scanned black flag logo that can be electronically clipped and sent directly not just to the

company but carmakers and other companies that use its products. In tandem with the electronic campaign the unions are planning two "days of rage" against the company on Friday and Saturday, involving demonstrations and marches.

In July 1994, the company dismissed the employees after they had been on strike for six months against a pay and productivity package. It replaced them with other workers in five of its US plants.

Financier buys French cocoa bean processor

By William Hall in Zurich, Frederick Grant in London and David Owen in Paris

Mr Klaus Jacobs, the Swiss financier who sold his Jacobs Suchard chocolate business to Philip Morris for SFr3.1bn (\$2.4bn) in 1990, has acquired a French cocoa bean processor with 15 per cent of the world's capacity and a dominant position in European markets.

European chocolate makers and users immediately expressed fears that they would face higher prices for their main raw material. "We reckon this deal gives Jacobs about 90 per cent of the UK industrial chocolate market, and about 50 per cent of the pan-European market," one European chocolate user said yesterday.

Klaus J. Jacobs Holding (KJJ), Mr Jacobs' family holding company, said it had purchased Groupe Barry of France in a deal believed to be worth close to FF2.2bn (\$372m) with a view to increasing the value added part of what has been a low margin business. KJJ already owns Callebaut, a major industrial chocolate maker based in Belgium.

"It is a very strategic deal for him," a European industrial chocolate user said. "Callebaut and Barry were killing each other's margins in industrial chocolate." Mr Jacobs is believed to have also started up a cocoa trading company in Switzerland.

The purchase gives Mr Jacobs access to farmers in the Ivory Coast, the world's largest producing country, and more capacity for the manufacture of industrial chocolate. Large confectioners

such as Mars and Nestlé make most of their own chocolate but also buy in some refined ingredients such as cocoa butter and liquor. Some other large users such as biscuit makers buy all their chocolate from merchant suppliers like Barry and Callebaut.

KJJ said the two companies would be combined into a new group called Barry Callebaut with a combined turnover of SFr1.8bn. It would sell around 500,000 tons of semi-finished cocoa products and industrial chocolate, an initial public offering was planned for 1997 but Mr Jacobs would maintain majority control.

Mr Jacobs was a major player in the world chocolate market in the 1980s and competed with Nestlé and other chocolate makers in acquisitions. In 1988, Jacobs Suchard made a \$2.3bn (\$3.5bn) offer for Rowntree, the English chocolate group, but was outbid by Nestlé.

Less than two years later, Mr Jacobs gave up his ambition to become the equal of Nestlé and Mars in retail chocolate and sold Jacobs Suchard to Philip Morris, the US tobacco, beer and food group. He subsequently bought back some parts of the Jacobs Suchard business, such as Callebaut and Van Houten, a continental chocolate producer, which were not central to Philip Morris' consumer product strategy.

Mr Jacobs is buying Barry through Société Centrale d'Investissement et d'Associés (SCIA), a French investment company, and

Continued on Page 12



Israeli prime minister Benjamin Netanyahu (left) in an exchange with President Clinton in the Oval Office yesterday where they discussed the Middle East peace process. Mr Netanyahu said his government would continue to strive for "peace with security" with Arab states. Picture Reuters

Banks plan grip on world debt market

By Nicholas Depton in London

A group of international investment banks plans to set up a clearing house to cope with the rapid expansion of trading in emerging market debt such as Brady bonds.

J.P. Morgan, ING Barings, Chase Manhattan and other leading traders in the \$2,740bn market meet in London today to decide on their investment in the clearing house, provisionally called the Emerging Markets Clearing Corporation.

The institution will reduce the risk of defaults, cut costs in the long term, and give a further boost to the volume of trading in emerging market debt. But it will be a setback for Daiwa Securities, the Japanese broker, which currently dominates the clearing business - the completion of transactions.

The setting-up of the clearing house is a sign of the increasing maturity of emerging markets,

which have gained widespread appeal while investment returns in developed countries have narrowed and western institutional investors have looked further afield for profits.

The current system for trading emerging market debt, which consists of Brady bonds - securities issued in exchange for bank loans - Eurobonds and domestic securities such as Russia's "Min-Fin" bonds, has developed in a haphazard way.

Since 1991, traders have increasingly dealt through screens provided by inter-dealer brokers such as US-based Chap-

delaine. These brokers have insufficient capital to clear large transactions themselves and so transfer them to Daiwa Securities to handle settlement.

Market participants, however, have grown concerned about the "counterparty risk" - the possibility, albeit remote, that Daiwa Securities defaults during the three days it takes for a transaction to be settled.

The potential exposure of traders has increased rapidly as total trading volume has surged from \$74bn in 1993 to \$2,740bn in 1995. The inter-dealer market alone is worth about \$300bn. When the

Mexican financial crisis in 1994 provoked a collapse in emerging market debt prices, some investment banks ran up against their credit limits with Daiwa and were forced to halt trading on the inter-dealer market.

"Regardless of whether the clearer is Daiwa or any other individual firm, this is a risk that is unacceptable," said one banker in the new group.

With the Emerging Markets Clearing Corporation - expected to function within a year - the risk of default is reduced because

Continued on Page 12

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Thyssen set to win 49.9% stake in telecoms network

By Michael Lindemann in Bonn

Thyssen, the German steel and engineering group, is set to win the hotly contested competition for a 49.9 per cent stake in DBKom, the telecoms subsidiary of Deutsche Bahn, the German federal railway network.

Shares in both companies saw a sharp rise on speculation surrounding the DBKom bid. Thyssen closed at DM297.50, down DM1.50 on the day but up 5 per cent over the last week, while Mannesmann rose DM5 to close at DM585, and was up 3 per cent on the week.

Winning the 49.9 per cent stake in DBKom would significantly improve Thyssen's chances as a telecoms operator when the German telecoms market, Europe's biggest, is fully liberalised in 1998.

DBKom will face aggressive competition from Deutsche Telekom, the incumbent monopolist, and probably from Germany's three big electricity utilities, RWE, Veolia and VEW, which are also preparing to turn their internal networks into public carriers.

However, the end of the competition for DBKom may lead first to further consolidation among the private operators as they face the daunting prospect of taking on Deutsche Telekom. One possibility is that Thyssen would bring its telecom assets - mainly the DBKom stake and a 28 per cent stake in the E-Plus mobile phone network - into a joint venture being negotiated between RWE and Viag, and including British Telecommunications.

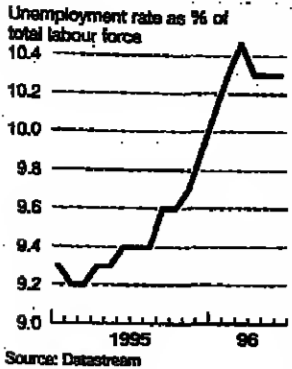
Mannesmann has already agreed to pool its network capacity with telecom infrastructure belonging to Veolia. Mannesmann said yesterday that final agreement on the details had been postponed until the DBKom bid had been settled.

CONTENTS

Section	Page	Section	Page
News	1	Markets	21
European News	2-5	Commodities	22
International News	6	FT Academics	28
Asia-Pacific News	7	FTSP-A World Indices	32
American News	11	Foreign Exchanges	32
World Trade News	4	Cost Matters	22
UK News	9	Int. Bond Services	20
Weather	12	Managed Funds	23-25
Law	12		

NEWS: EUROPE

Germany



German job hopes come to nought

By Peter Norman in Bonn

The spring-time recovery in the German labour market petered out in June as unemployment rose on a seasonally adjusted basis after two months of decline.

The federal labour office in Nuremberg said the pan-German jobless total increased by an adjusted 3,000 to 3.93m last month, reflecting a rise of about 7,000 in western Germany to 2.77m and a decline of about 3,000 in eastern Germany to 1.16m.

The office also revised down its earlier estimate of May's seasonally adjusted jobless decline to just 2,000 from the 7,000 reported last month.

April remains the only recent month with any notable improvement in labour market conditions. Seasonally adjusted unemployment fell 600 in that month, while figures released yesterday pointed to a 27,000 adjusted increase in total employment in April.

But Mr Bernhard Jagoda, the labour office president, said this was simply a "catching up" after adverse trends in previous months. Average employment, at 34.4m in April, was 389,000 lower than the year before.

On an unadjusted basis, unemployment across Germany fell by 33,500 between May and June, but the latest jobless total of 3.78m was 327,700 higher than in June last year.

Mr Jagoda said the labour market continued to be weak and had not yet responded to signs of a gradual increase of output in the economy. "All we are seeing at present is a seasonal normalisation after the hard winter."

Yesterday's data brought the unadjusted pan-German jobless rate below 10 per cent for the first time this year with 9.9 per cent of the labour force registered as unemployed last month against 10 per cent in May and 9 per cent in June last year. On a seasonally adjusted basis, the rate was unchanged between May and June at 10.3 per cent but was higher than last June's 9.4 per cent.

"The news prompted economists to take a bleak view of employment prospects over the rest of this year."

The Frankfurt office of Swiss bank UBS forecast "very modest labour market data well into the second half of this year and maybe until 1997."

The German arm of US investment bank Goldman Sachs said it expected unemployment "to resume its upwards trend in coming months" and saw no reversal of the trend "on the horizon."

Higher than expected unemployment could upset the government's budget plans which envisage a halt to federal payments to the labour office next year.

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UK Emu stance worries BT chief

Vallance fears retaliation from EU partners over exchange rate policy

By Lionel Barber in Brussels

Britain will suffer retaliation from its European Union partners if it pursues a go-it-alone exchange rate policy after monetary union in 1999, Sir Iain Vallance, chairman of British Telecommunications, said yesterday.

He said Britain could not remain permanently outside the single currency zone or escape some form of "supranational monetary discipline" if it wanted to enjoy the benefits of "the single market."

"Retaliation is definitely on the cards. There are enough people talking about it already," he said in an interview in Brussels, where he was lobbying EU commissioners on regulatory matters, notably the planned Atlas joint venture between Deutsche Telekom and France Telecom.

Sir Iain also warned that Europe was in danger of "missing the boat" unless it accelerated the pace of liberalisation after the opening up of voice telephony on January 1, 1996.

His views on Emu - which he stressed were personal - reflect unease within the British business community about the anti-European drift in the governing Conservative party.

Under pressure from Eurosceptics, the UK government has ruled out membership of a new model exchange rate mechanism in the next parliament and has remained studiously ambivalent about the merits of the single currency.

Mr Kenneth Clarke, the chancellor, has insisted that Britain would not be discriminated against if it remained outside the euro zone, either as a financial centre or as a participant in the single market.

Asked about Mr Clarke's assurances, Sir Iain smiled and said: "Yes". Asked again, he repeated the smile, adding: "Retaliation can take all sorts of forms, as well as informal forms which are very difficult to deal with."

BT has invested heavily in Europe, building up a network of alliances in Germany, Italy, Spain and Scandinavia while also holding licences to operate directly in France, Belgium, Ireland and Switzerland.

Sir Iain, BT chairman since 1987, said he was anxious to press for faster liberalisation once voice telephony services opened up.

"If you want to set up infrastructure you need at least a decade. Unless the politicians hit the ground running in January 1998, the great danger is that the Americans and Japanese will get further ahead."

He noted that only three EU member states - Britain, Finland and Sweden - out of 15 had met the Brussels deadline of July 1, 1996 for liberalising telecommunications infrastructure.

"The reaction of the main telecommunications companies in Europe to what happened to BT was that this was a rather strange Anglo-Saxon experiment which began in the US, drifted over in the gulf stream, but was not coming across the Channel. Now, they not only recognise it is coming across the Channel, but there might even be benefits."

The second lesson BT could offer was a redefinition of public service. In France, Italy and Spain, people equated telecoms with public utilities such as gas, electricity and water. Yet these industries would always retain a degree of natural monopoly.

"You have radio waves competing with copper networks. You have the convergence with entertainment, telecoms with cable TV. In future, you will have a regime which does not require sectoral regulation and then the public service requirement will fall away."

Sir Iain's remarks aimed to shoot down French ideas for language in the revised Maastricht treaty which would enshrine the principle of universal public service.

He was equally cool about Swedish-led pressure for an employment chapter to Maastricht 2.

"Employment policy is organic; if you write something into a treaty then it is frozen. Much more important, he said, was the need to ensure consistency in national law and regulation in the single market - and improve enforcement."

Brussels seeks more power on mergers

By Neil Buckley in Brussels

The European Commission will today renew calls for strengthened competition powers, with proposals to allow it to probe more merger cases and to encourage cartel members to "blow the whistle" on illegal price-fixing arrangements.

But the proposals face a rough reception from EU member states, whose ministers must decide whether to endorse them. Many oppose giving the Commission more competition powers, while Germany and Italy have called for the job of vetting mergers to be handed to an independent agency.

Mr Karel Van Miert, competition commissioner, wants the turnover thresholds above which the Commission has the right to investigate mergers and takeovers to be lowered. He

also wants the Commission to have automatic rights to vet mergers if they would involve at least three national competition authorities, even if their turnover is below the thresholds.

Draft proposals were published to a green paper in January, and will be presented in revised form today after consultation with industry and member states.

At present, the Commission has the exclusive right to probe mergers involving total turnover of more than Ecu5bn (\$8.28bn) when at least two of the merging companies have combined turnover of more than Ecu250m (\$314m) within the EU. The number of mergers vetted increased last year from 95 to 114.

Mr Van Miert says too many mergers with cross-border impact do not fall within the Commission's remit, and

wants the thresholds lowered to Ecu2bn for global turnover and Ecu100m for EU turnover. The Commission estimates that would bring between 65 and 80 per cent more cases under its control.

The majority of member states are still thought to oppose lowering the thresholds. But they are thought to be more sympathetic to the Commission's call for automatic rights to probe mergers involving at least three national authorities.

Commissioners at their weekly meeting will also discuss a revised draft of proposals published last December to increase the Commission's detection rate of price-fixing cartels by encouraging companies involved to "blow the whistle".

Officials warned yesterday the Commission might not reach accord

on the controversial proposals today.

Mr Van Miert last December suggested immunity from fines for companies that were the first to inform the Commission about a cartel, provided they co-operated fully with any inquiry and were not the instigator of the arrangement.

Companies which co-operated once investigations were under way would face reduced fines.

Italy's anti-trust authority has cleared Heineken's purchase of Birra Moretti, the Italian brewer from Interbrew of Belgium, on condition that the Dutch brewer sells one of Moretti's plants to a competitor, writes Andrew Hill in Milan. The authority said Heineken would have to reduce its overall share of the Italian market - which would reach nearly 38 per cent through the purchase.

EUROPEAN NEWS DIGEST

Governor warns France's banks

Mr Jean-Claude Trichet, governor of the Bank of France, yesterday added his voice to calls for the government to act to eliminate "competitive distortions" in French banking.

Presenting the annual report of the Banking Commission, which supervises France's banking sector, Mr Trichet urged the government to end such distortions "whether they relate to the monopoly in distribution of certain specific products or... the legal nature of the companies involved."

Commercial banks - plagued by high costs and low credit demand, as well as intense competition - have in recent months renewed their attacks on competitors such as mutualist banks, the Post Office and the Caisse d'Epargne savings bank network which have no requirement to provide a return on equity to their "shareholders". Mr Trichet, the commission's chairman, said the financial activities of the Post Office posed "a very serious problem".

While commenting on signs of improvement detected in the French banking system, the commission said there had been an increase in "imprudent" behaviour by banks in recent years at the expense of profitability. This applied to "some personal loans, particularly to the housing domain, and a large fraction of lending to local authorities, where the level of margins is rarely of a nature to allow a minimal cover of the risk". This behaviour partly explained why profitability in the banking sector was still "inadequate". Mr Trichet said the commission planned to call in outside specialists to help supervise the banking system, particularly surveillance of market operations.

French ex-ministers facing jail



From the cabinet rooms to prison cells? Alain Carignon (left) and Bernard Tapie now await their fate

Two former French cabinet ministers, Mr Bernard Tapie and Mr Alain Carignon, inched closer to jail yesterday when their convictions were separately upheld.

The Supreme Court in Paris upheld a ruling that Mr Tapie - who once controlled the Adidas sports-wear company, led the Marseilles football club, and served as a minister in the Socialist government between 1982-83 - was guilty of personal bankruptcy in the collapse of his sports and business empire. The decision barred Mr Tapie from public office for five years, clearing the way for him to be stripped of his seats in the French and European parliaments. That in turn could expose him to serving prison sentences already incurred for tax evasion and rigging a football match.

In Lyons, Mr Carignon, who served as communications minister in 1993-94 under the then prime minister, Mr Edouard Balladur, had his sentence for corruption increased by an appeals court to four years in jail with a further year suspended.

The court upheld the lower court's decision to fine him FF400,000 (\$90,000) and ban him from public office for five years for taking FF22m in gifts from the utilities company, Lyonnaise des Eaux, in return for a water privatisation contract. His lawyer said his client would appeal to the Supreme Court.

European takeovers set to rise

European mergers and acquisitions activity is set to rise over the next year, driven by increased competition and a focus on core businesses, according to a survey released by Price Waterhouse, the accountancy firm. Of the 500 top European companies willing to reveal their plans, 45 per cent said they intended making acquisitions in the next 12 months.

Acquisition activity was likely to be greatest in the UK, where 63 per cent said they were planning to buy other companies, and lowest in Italy, where only 26 per cent planned to make purchases, the Price Waterhouse European M&A trends survey revealed.

Germany heads the list of likely merger activity, followed by Italy. The Netherlands will have the lowest level of mergers and alliances. "Three times as many companies plan to undertake mergers and strategic alliances across Europe in the next 12 months compared with the last 12 months," the report said.

The survey also found that the number of disposals was likely to decrease slightly. Of those which might occur, the UK would again lead the field while Italy was least likely to see a rash of disposals taking place.

Brussels threat over poll rights

The European Commission threatened yesterday to take seven European Union states to court for failing to implement a law allowing EU nationals to vote in the municipal elections of other member states where they are resident.

Belgium, Germany, Greece, Spain, France, the Netherlands and Portugal have received letters giving them 40 days to ensure that the law has been put on to national statute books. This should have been done by the beginning of this year. The move is part of a campaign to complete the single market.

Brussels has sent 36 letters after opening court proceedings or giving final warnings of future court action in cases involving public procurement, citizens' rights, financial services and the recognition of diplomas.

'Green' Germans wary of costs

Germans emerge as environmentally aware but increasingly reluctant to make personal sacrifices to improve their surroundings, according to a survey of environmental consciousness commissioned by the Bonn government.

A poll of 2,300 Germans in January and February found that more than 70 per cent worried about the environment that their children and grandchildren would live in. On the other hand, only 21 per cent in western Germany and 13 per cent in eastern Germany were prepared to pay higher taxes and fees to improve it.

The survey found more people were driving cars to work compared with 1991, while the willingness to accept higher motoring costs to ease traffic had fallen. The share of people willing to pay more for environmentally friendly products fell to 35 per cent in the west and 17 per cent in the east from 59 per cent and 24 per cent respectively five years ago. The survey also found a sharp decline in willingness to pay more for rubbish clearance.

French company profits to rise

The profitability of French companies should continue to make solid progress in spite of the less than impressive performance of the French economy, according to projections published yesterday by Banque Nationale de Paris, the banking group.

BNP estimates that the gross operating profit before taxes of French companies will rise by 7 per cent in 1996 and the same amount again in 1997. It says lower interest rates will reduce the amount of interest paid by French companies by about FF440bn (\$7.75bn) in 1996.



Necmettin Erbakan waves to supporters after taking office last month

Misgivings swept aside in Refah's power play

"Yes, of course I feel disappointed. We all are, but that is the way in politics. One day you insult your opponents and the next day you have to work with them." So says Mr Hayrettin Beyazit, a youth organiser for Turkey's Islamist Refah party, in his glib office in a rundown Ankara shopping centre.

A week ago Mr Necmettin Erbakan, Refah's 69-year-old leader, struck a deal with Mrs Tansu Ciller, one of his worst enemies, and agreed to share power with her conservative True Path party. Parliament narrowly confirmed the coalition government in power in a vote of confidence on Monday.

To many of Refah's rank-and-file this alliance seems less a marriage of convenience than a pact with the devil. Mr Erbakan once dismissed Mrs Ciller as "lower than an insect". Pollsters find that little more than half of Refah voters support the coalition with True Path.

The consensus in Mr Beyazit's cramped office, its walls lined with files and party propaganda and with a haze of cigarette smoke hanging in the stifling air, is that the party's strict discipline and Mr Erbakan's considerable authority are strong enough to contain any dissent. One of Mr Beyazit's new recruits laments out: "Whatever our teacher says, happens."

Mr Beyazit says: "Refah could not come to power alone. It has a coalition partner, so it cannot do everything it promised. When we came to power alone, then the party can fulfil its promises." A colleague interrupts: "We know that Refah could do nothing to solve the country's problems as an opposition party. We had to come to power to get rid of unemployment and corruption."

In the harsh daylight outside, though, Mr Beyazit and his followers seem hopelessly naive. Mr Erbakan may have

campaigned on an anti-corruption platform and promised to sweep away the rotten secularist order, but his decision to form a coalition with Mrs Ciller merely confirmed what many of his voters suspected all along - that he is as much of an opportunist as any other Turkish politician.

Mr Adnan Sozmez, a driver, says: "I voted for Refah but, really, politicians are all the same. Refah is corrupt too."

Islamists in Turkey prefer a pact with a hated rival to continued opposition, writes John Barham

But, at least Refah, with its fear of god, will steal less than the others stole. I think what Turkey really needs now is a dictator.

Mr Sozmez is very much in a minority, but many Turks are increasingly angered by the inability of mainstream politicians to deal with their problems. Backing for Islamist or far-right candidates has grown at every election since the return to civilian rule in 1980. Refah took 21 per cent of the vote in last December's elections, more than any other party.

Mr Selim Oktay, director of Istanbul's Strati-Mori polling company, says that "Erbakan is trying to get social acceptability." Until recently, it seemed that Turkey's powerful secular establishment, led by the army, would never let an Islamist government take office.

The next step, analysts agree, will be to reward the

Russia to step up reforms of social welfare

By John Thornhill in Moscow

The Russian government would re-order its economic priorities in the wake of the presidential elections to tackle social concerns and ensure "the rich should help the elderly", the chief economic aide to President Boris Yeltsin said yesterday.

Mr Alexander Livshits said the new government, which is still being formed, would also take measures to increase tax revenues, stimulate industrial investment, and lower interest rates by opening the government debt market to foreign investors, ensuring that economic growth resumed by the end of the year.

Mr Victor Chernomyrdin, the prime minister, yesterday met Mr Grigory Yavlinsky, the defeated liberal presidential candidate, to discuss economic reforms amid rumours that he would be offered the job of first deputy prime minister in charge of the economy.

Mr Yavlinsky has long advocated measures to bolster Russia's social welfare system, but has also been a fierce critic of Mr Chernomyrdin.

Mr Livshits said the government was urgently redistributing budget spending to ensure that delayed pensions were paid, but would eventually have to overhaul the entire pension system.

At the beginning of June, the federal pension fund had a deficit of Rhs7,000bn (\$1.37bn) resulting in delayed payments to pensioners and fuelling support for the communists.

Mr Livshits said the election had inflicted "considerable damage" on the economy, as companies stopped paying

Chechnya fighting challenges Yeltsin

Less than a week after presidential elections fighting broke out again yesterday in Chechnya, shattering the fragile peace Russian President Boris Yeltsin had engineered during his campaign to stay in office, writes Chrystia Freeland in Moscow.

The flare-up, which was the most serious clash in the breakaway republic for six weeks, could return the Chechen conflict to the top of the Kremlin's political agenda.

The Russian military yesterday deployed helicopter gunships and aircraft against Chechen separatists in the village of Gakhil, some 30km south-west of Grozny, the capital, in a fresh outburst of violence in which at least six Russian soldiers died. The eruption followed an ultimatum issued to Chechen fighters on Monday to handover Russian prisoners or face the consequences.

The fighting in Chechnya has continued despite the sacking last month of the four hawkish government officials who spearheaded Russia's military intervention.

Mr Yeltsin has not yet chosen his cabinet but yesterday made one senior appointment, naming General Nikolai Kovalyov, a career KGB officer, as the new head of the Federal Security Service, an internal successor to the Soviet KGB.

Prodi allies dig in heels over economy

By Robert Graham and agencies in Rome

The economic policies of Italy's new centre-left government were given a rough reception during their first discussion in parliament yesterday.

In four out of eight committees in the chamber of deputies, the Olive Tree alliance failed to obtain a majority after Reconstructed Communism (RC) - formed from the hard core of the old Communist party and which has agreed to back the government - voted against the measures.

The votes served as a warning that both the government's plans for the 1997 budget and its three-year macro-economic framework laying down the path to convergence with the criteria for monetary union, could be altered in parliament.

RC appears determined to exact as high a price as possible for its support. Moreover, elements within the Party of the Democratic Left (PDS), the dominant partner in the government coalition, are anxious to accommodate union demands to devote more money to job creation and allow wages to increase at around 3 per cent next year against projected inflation of 2.5 per cent.

Financial markets fell on the news but recouped some losses after Mr Armando Cossutta, president of RC, signalled that the party did not want the government to fall over their differences. He said: "It's fine, by us if the government sets an inflation goal of 2.5 per cent and if inflation goes down that's even better. But we want a precise commitment from the government that if it goes above 2.5 per cent there will be compensation for salaries and wages based on that target."

The pressure on wages and the government programme will test the authority of Mr Romano Prodi, the prime minister. Already Confindustria, the employers' confederation, and Mr Mario Monti, the Ital-

ian European Union commissioner, have criticised the government for setting its sights too low by formulating 1997 budget guidelines that will mean missing next year's deadline for compliance with the convergence criteria of the Maastricht treaty.

The three-year macro-economic programme envisages cutting the budget deficit from 6 per cent of gross domestic product this year to 4.5 per cent next year and 3 per cent in 1998 - hitting the convergence target one year late.

Yesterday economists gave broadly positive assessments of the targets in evidence to parliamentary committees on the programme. But Mr Alberto Zilianti, the head of Istat, the state statistics institute, said the 1997 estimates for the trend in interest rates were a bit on the pessimistic side, while the inflation target of 2.5 per cent and the 2.8 per cent growth target were optimistic.

Attention also focused on the fact that the government did not include in its figures for the public sector deficit three items amounting to almost L20,000bn (£12bn) next year: VAT repayments to companies, the cost of a 1998 constitutional court judgment on pensions arrears of minimum pensions, and the writing down of the cost of debt issues.

The government is also planning this year to accelerate payment of the constitutional court settlement by settling arrears of L14,000bn. The EU has included these arrears in its assessment of the 1996 budget deficit. This accounts for Brussels' announcement this week that Italy's deficit would be 5.4 per cent of GDP this year, almost a percentage point higher than that predicted by the Prodi government.

The macro-economic programme is traditionally endorsed by parliament before the summer recess. This enables the government to present details of the 1997 budget by the end of September.

Proposals to boost markets in Germany

By Andrew Fisher in Frankfurt

The twin challenges for German capital markets of financing new jobs and preparing for European monetary union were highlighted yesterday in a set of proposals drawn up for the ruling coalition by one of its financial experts.

Germany should strive to match efforts made to promote the Paris capital markets and consider merging the three supervisory bodies for banking, securities and insurance, said Mr Wolfgang Steiger, a member of the

Christian Democrat (CDU-Christian Social Union (CSU) parliamentary group. The Bundesbank should also drop its minimum reserve policy.

His proposals were drafted for the CDU-CSU working group on finance as part of the intensifying government debate on how to strengthen Finanzplatz Deutschland (Germany as a financial centre) to combat high unemployment and compete with the rest of Europe after Emu.

The need to provide more equity and venture capital for small and established businesses - and thus

help job creation - will also be discussed later this year by the CDU-CSU group's committee on improving Germany as an industrial location.

"We have to create the conditions for investment, innovative products and new jobs," said Mr Hans-Peter Reppik, head of the committee and deputy head of the parliamentary group.

Mr Steiger's paper points to the competitive disadvantage that will face German stock, bond and money markets when the D-Mark is replaced by the euro. The presence of a future European central bank in

Frankfurt would not be enough to safeguard the long-term position of German capital markets, said Mr Steiger.

He repeated the call for Germans to become more risk- and equity-oriented. Supporting moves by Deutsche Börse (which runs the Frankfurt securities and options exchanges) to set up a new market for small companies, he said the planned Brussels-based Easdaq market as a European version of Nasdaq, the computerised US securities market, would not be a proper alternative to this. Mr Steiger thus

aligned himself with the scepticism of some bankers in Germany to the imminent launch of Easdaq. Links between national bourses were preferable, he said. The German small company market, starting next year, will co-operate with similar ventures in France and Belgium.

Mr Steiger also supported efforts to create special mutual funds to encourage people to make supplementary pension provision. Such funds would increase the involvement of institutional fund managers in the German financial scene.

Poland turns to EU after success at OECD

By Christopher Robinson in Warsaw

Poland's preparations to join the Organisation for Economic Co-operation and Development have highlighted the problems it will face during accession talks with the European Union.

Negotiations on membership of the OECD, which have been under way since Poland's application in 1994, will end tomorrow with a formal invitation to join the Paris-based club of industrialised nations. Poland will become a member after the treaty is ratified by parliament, probably in the early autumn.

However, even some of the limited concessions the government made in the talks have been controversial within Poland. The OECD asked for foreign investors to be allowed to buy land but received little more than the streamlining of applications for purchase permits and the right to buy no more than small plots of urban land for investment by foreign companies.

These scant concessions have provoked calls by the Polish Peasant party (PSL), the junior coalition partner, to reverse the changes. Opinion polls suggest that around 75 per cent of Poles are opposed



Polish President Alexander Kwasniewski, who met US President Bill Clinton on Monday when Nato expansion was on the agenda, will take his country into the OECD and towards EU membership

to unrestricted sales of land to foreigners.

Other much less controversial changes included a lifting of special permits for foreign investors in areas once thought to be especially sensitive, such as the wholesale distribution of consumer goods or ownership of real estate agencies.

A modest liberalisation of capital outflows allowing Poles to buy property abroad worth up to Ecu50,000

(\$62,000), or transfer up to Ecu1m a year for capital or equity investments abroad went almost unnoticed. These concessions are to be followed up with further liberalisation, culminating in the implementation of all the conditions for full convertibility by 2000.

The Poles managed to get the OECD to accept that branches of foreign banks will not be able to operate in the country until the beginning of 1999, a year later than the

organisation originally suggested. The Polish central bank at the moment gives licences only to those ready to establish subsidiaries and invest in ailing local banks.

In 1999 foreign banks will be able to open branches without needing the permission of the central bank.

Another key development in the banking sphere, which sent a frisson of anxiety through depositors, has been new legislation which opens bank accounts to inspection by tax officials.

Bankers mounted a strong campaign against this, pointing out that it could lead to currency outflows.

More changes are inevitable when Poland eventually joins the OECD. It will then be committed to play by its rules. "Poland has joined the club and that means that there is every chance it will acquire the habits and customs of the older, well established members," says Mr Paul Knott, the World Bank's representative in Warsaw.

Poland will have to make even more changes when it eventually joins the EU. It will have to adapt domestic legislation to include the entire range of rules governing the internal market Brussels has produced to date.

These, ranging from rules on labelling to public health protection or accounting, are contained in a 438-page White Book which the Poles have received as part of the preparations for the accession talks some time after 1997.

Ms Danuta Hübner, Poland's chief OECD negotiator said: "Co-ordinating the various ministries to get the needed changes through the government has been an incredible lesson for the future [EU] talks."

Bosnia's defiant Serbs give new job to Karadzic

By Paul Wood, Laura Silber and Bruce Clark

The Bosnian Serbs have stepped up their defiance of the international community as senior diplomats from the US and at least six other countries prepare for a meeting in London today which will consider how to react.

The Bosnian Serb news agency said Mr Radovan Karadzic, who as an indicted war criminal is barred from holding public office, had been appointed chairman of a newly established senate.

According to the agency, the 55-member assembly will consider "issues of special significance" for the political and economic development of Republika Srpska, the Serb-controlled zone of Bosnia.

The diplomats meet today in the shadow of clear differences of emphasis among leading western policymakers about how to deal with Mr Karadzic. Some figures in the US government are understood to have argued for drastic action - such as a commando raid - to remove Mr Karadzic from the scene. But Nato commanders in Bosnia are conscious of a failed operation would deal an irreversible blow to western credibility in the region.

Mr Michael Steiner, the German diplomat who serves as deputy to the international mediator Mr Carl Bildt, is understood to have taken the

lead in insisting that the SDS, the Serbian Democratic party headed by Mr Karadzic, must be barred from Bosnia's forthcoming elections.

Apparently confident of support from both Washington and Bonn, Mr Steiner has argued that barring the SDS may be the only way to stop Mr Karadzic sabotaging the electoral process and turning it into an embarrassing failure.

This line has also been supported by Mr Robert Frowick, the US official who is in charge of overseeing the September elections.

Mr Bildt, for his part, has insisted that his efforts to bring about a gradual reduction in the influence of Mr Karadzic are already bearing fruit and should be given a chance to succeed.

Supporters of disqualifying the SDS fear that this may be the only way to avoid a boycott of the election by the main Muslim nationalist party, the SDA. The latter is already nervous of an election which is supposed to lead to the creation of pan-Bosnian institutions, inclusive of all ethnic groups, which will therefore dilute its own claim to speak for all Bosnia.

British officials will present today's meeting with an elaborate plan for gradually escalating sanctions against the Serbs, starting with the Bosnian Serbs, and only if that fails, punishing Serbia itself.

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NEWS: WORLD TRADE

SE Asia seeks flexible plan on investment

By Ted Bardacke in Bangkok and Guy de Jongh in London

Talks on proposals to promote direct investment between Europe and Asia were narrowly saved yesterday after the European Union, Japan and Korea bowed reluctantly to south-east Asian insistence that any scheme be based on non-binding principles.

The Bangkok meeting, the first in a series of follow-up sessions to the Asia-Europe summit in March, also failed to reach consensus on trade and investment issues ahead of December's ministerial conference of the World Trade Organisation in Singapore.

Sir Leon Brittan, EU trade commissioner, wants Asian support for his campaign to launch WTO negotiations on liberalising and creating global rules for international direct investment.

However, his hopes have been dealt a setback by members of the Association of Southeast Asian Nations (Asean), which recently rejected any negotiations on investment in the WTO for at least five years.

The flexible nature of the commitments made at this week's Bangkok talks was underlined by Mr Narongchai Akrasanee, co-chairman of the meeting and chairman of General Finance & Securities, a brokerage company in Thailand.

"In Asia we agree to things only if they are subject to change without any advance notice," he said. "If we want the governments to endorse the plan, then it is important to make it clear from the beginning that they will not have to follow it."

Some European leaders suggested at the March summit that an investment accord being negotiated by industrialised nations in the Paris-based Organisation for Economic Co-operation and Development

should be a model for an agreement between Asia and Europe.

However, the proposal was not discussed at this week's meeting, which agreed instead to use some of the ideas developed in the OECD talks as a guideline to develop principles, without formally subscribing to a code or agreement.

"A code implies something legally binding, whereas principles you can bend," one Asian delegate said.

The draft plan, due to be endorsed by European and Asian economic ministers next week, centres on two main themes.

They are liberalisation of investment regulations and restrictions, and investment promotion, including technology transfer, assistance to small businesses, human resource development, environmental protection and standardisation.

Even within this broad outline "the differences are very big," Mr Narongchai said. Although European and north Asian representatives focused on liberalisation, China and Asean members emphasised promotion. "So we agreed there should be both," he said.

European officials, who are due to hold more talks with Asian representatives in Brussels on July 24 and 25, insisted the modest outcome of the Bangkok meeting did not mean ambitious plans for an Asia-Europe dialogue had got off to a shaky start.

But other officials said the EU had made few preparations for the Brussels talks, while Asian governments seemed preoccupied with a ministerial meeting of the Asia Pacific Economic Co-operation forum in New Zealand later this month.

The EU hopes to use the Brussels meeting to discuss measures for facilitating trade between Europe and Asia and to seek common ground ahead of the WTO conference.

US and Japan try to resolve photo film row

By Emiko Terazono in Tokyo

Japanese and US trade officials today start negotiations over Japan's photo film distribution system under the auspices of the World Trade Organisation in Geneva.

The US government has sought WTO arbitration over alleged anti-competitive practices in the Japanese photo film market.

Its action follows claims by Eastman Kodak of the US that a "restrictive market structure" in Japan allows Fuji Photo Film and its affiliated distributors to dominate the market "with the complicity of the Japanese government".

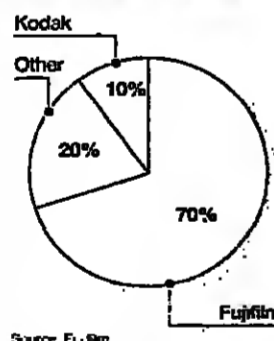
Japanese trade officials said they wanted the US to explain its claims, although they were prepared to deny US charges that the rules and laws governing Japan's distribution system breached the General Agreement on Tariffs and Trade.

Officials from Japan's Ministry of International Trade and Industry, and Fair Trade Commission, the anti-trust watchdog, are to take part in the two-day meeting.

The talks come soon after a Fuji announcement that it will acquire the photofinishing operations of Wal-Mart, the largest provider of photofinishing services in the US.

The terms of the agreement between Wal-Mart and Fuji were not disclosed, but the purchase - which includes six photofinishing plants, a distribution network and a long-term photofinishing services agreement - is estimated to have cost Fuji around \$600m.

Japan's film market



Source: Fuji Film

The company is expanding its international distribution network and its Chinese distributor is increasing the number of photofinishing laboratories in China.

Wal-Mart, the largest retailer in the US, had been considering selling its plants to refocus its resources on the management of its core retail business in the face of slowing sales.

Kodak said the deal proved that the US market was "not only open but the most competitive market in the world", although it regretted Wal-Mart's decision to sell its wholesale photofinishing operations to a competitor.

LA's Toy Town plays the profits game

Christopher Parkes analyses a flourishing sector which is breathing new economic life to the inner city.

Mr Charlie Woo knows every wrinkle on his territory, a ramshackle patch of downtown Los Angeles with its permanent kerbside presence of the crazed, the hopeless and the merely homeless. "Best lock the car doors here," he warns. "This lady on the corner is likely to jump in. And she bites."

This is Toy Town, and Mr Woo is its official Mister Mayor. He runs Mega Toys, one of about 100 toy importers, exporters and manufacturers which, in their diversity and entrepreneurial vigour, embody the vitality of immigrant ventures restoring economic life to LA's inner city.

Clustered on the main rail and road links minutes from the twin ports of Los Angeles and Long Beach, the mainly Asian-owned businesses sit at the geographical centre of LA County's fast growing toy industry.

Although dwarfed in financial terms by world leader Mattel in nearby El Segundo, there are now at least 500 toy companies in the county, employing 6,000 people and generating annual sales of \$4.4bn.

Recognising the potential, LA's respected Otis College of Art and Design has instituted a bachelor's degree in toy design, and opens its first four-year course in September.

The giant US market, plus Mexico and Canada, thanks to the North American Free Trade Agreement, provide the growth drivers. Asian immigrants form the link with manufacturers and traders across the Pacific. Toy Town provides low-cost premises, and cheap labour is plentiful thanks to the largely Hispanic local population.

This potent economic mix is now being consolidated by the newly founded Toy Association of Southern California (TASC), which combines the clout of Mattel executives with the ambitions of people such as Mr Kwang-Sik Im, president of soft toy shipper A&A Plush. Not forgetting the ubiquitous Mr Woo.

TASC is one of the embryonic successes of Rebuild LA, a non-profit urban regeneration initiative launched after the 1992 riots, which dedicates much of its energy to encouraging networking within indigenous industries.

Fostering co-operation is not the simplest proposition in a multicultural business community where many, including Korean-born Mr Im, have limited English.

But RIA has succeeded by focusing on common issues, which range from easing local traffic curbs to advising on customs and safety and representing the region's interests in faraway Washington.

Mr Im, the association's vice-president, opened his business in 1982, and in 1993 sold \$1m worth of polyester bears.

Last year A&A was ranked sixth biggest importer of soft toys, and is heading for revenues of at least \$17m in 1996. With 31 staff and stock tumbling around his ears, Mr Im is preparing to move into new premises three times as big as A&A's present home.

But growth has also demanded investment in skills needed to link A&A into the mainstream of the US retail market where Wal-Mart, K-Mart, Toys R Us and Hallmark gift shops dominate.

A sales manager has been lured away from Daiken, best known for the marketing success of toys modelled on the brat-cat Garfield character. The company's experienced Korean designer has been joined by a white colleague "to help us keep with American taste," says Mr Kim.

Such luxuries as A&A's international

grated management and spasms premises are rare a few minutes' drive away in the heart of Toy Town, where Mr Tony Lam runs Tack Cheung Corporation.

He employs an independent sales company to negotiate contracts with retailers, and says he would have been glad of TASC's advice had it been available on one occasion when safety authorities targeted one of his products, landing him with laborious form-filling.

"There are some guys doing well in business here who didn't even know enough to open a bank account when they started," says Mr Woo.

He attributes his commitment to "goodwill and enlightened self-interest" and makes no secret of his affection for his neighbours in a scruffy environment which tumbled into decline when most of the toy industry's Jewish founders moved on in the 1970s.

As a substantial property owner in the area - with warehouses bought for \$15 a square foot now worth 20 times that - his self-interest is self-evident. But he still goggles reverently at the Kort family's Imperial Toy Corporation building.

This vibrant moment to European immigrants' success is still the world's main source of bubbles and an inspiration



Such luxuries as A&A's international

Pact near on recordable videodisc standards

By William Dawkins in Tokyo

The leading developers of digital videodiscs, the next generation storage device for home entertainment, are putting the finishing touches to the technical standards for a recordable DVD, according to Toshiba, the Japanese electronics company.

Toshiba officials said yesterday that it, Sony, Matsushita, Philips of the Netherlands and Hewlett Packard of the US were in the "final stages" of agreeing a specification for a recordable DVD format, which would allow storage of a 2 1/2-hour film on a CD-sized disc. Definitive technical details are expected to be settled next month. "We are just tuning up the specifications," said a Toshiba official.

If agreed, the recordable DVD would come on to the market early next year, after the hoped-for launch of the first digital disc systems - which will be non-recordable - later this year. Toshiba and Sony want to start selling DVDs in Japan from September.

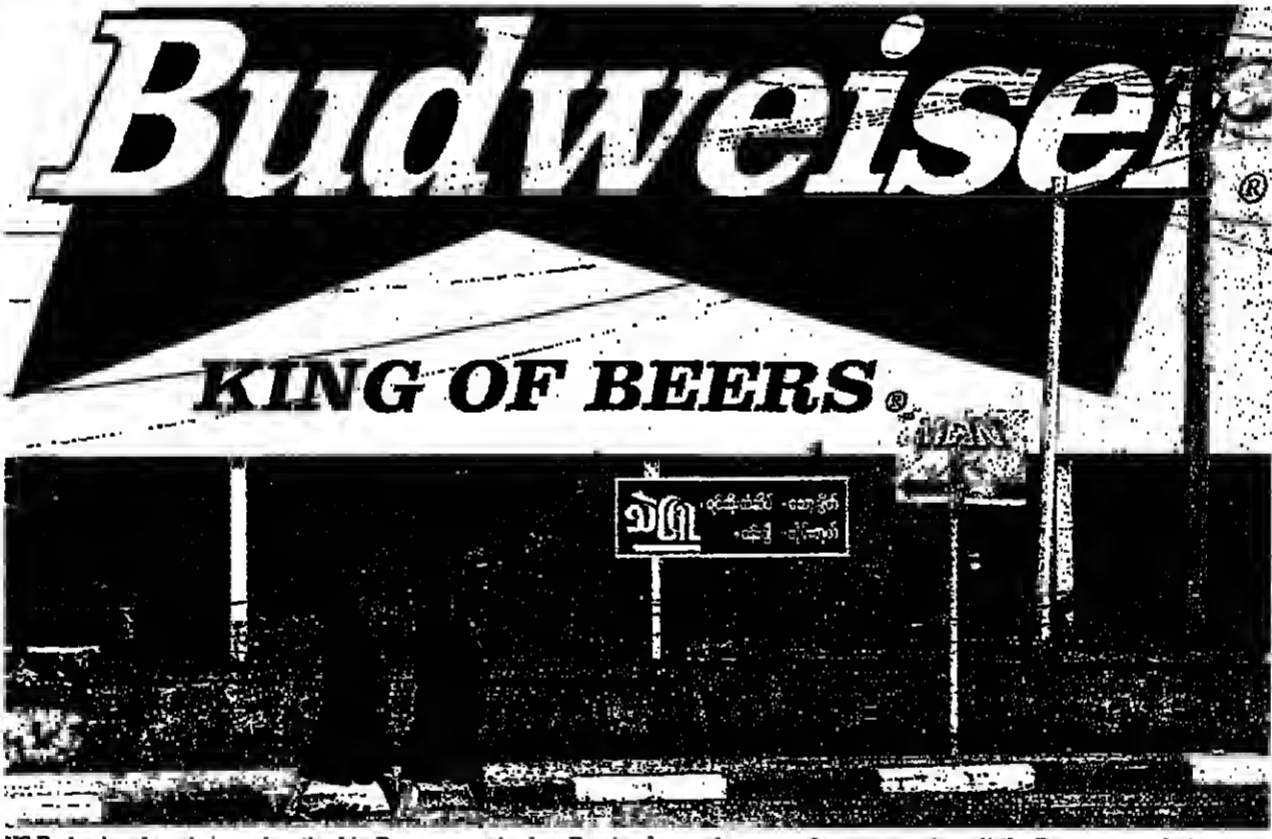
An agreed specification is needed to ensure that what is billed as the most important new consumer electronics product of the 1990s lives up to consumers' expectations. But the electronics companies' technical agreement needs the support of the film and music industries if the manufacturers of the new discs are to be assured of an attractive supply of music and films.

The US film industry has threatened not to release new films on DVD until there is a satisfactory accord, which would stop copyright pirates from using digital technology to make almost perfect copies.

Film companies exerted pressure on the electronics groups to agree that the first discs would be non-recordable. It was unclear whether music and movie companies had agreed to the proposed specifications, but Toshiba officials said yesterday they were being consulted.

According to Toshiba, the proposed format would allow consumers to record and replay film, music and computer data on any manufacturer's DVD. The new product, to be called DVD-Rewritable, would be double-sided and capable of storing 2.6 gigabytes of information on each side. It would be compatible with conventional CD Roms and with the non-recordable DVDs.

Robert Corzine, London



US Budweiser beer being advertised in Rangoon yesterday. Foreign breweries are under pressure to quit the Burmese market

Heineken too faces mounting pressure from boycott campaigners

Carlsberg drops Burma project

By Hilary Barnes in Copenhagen and Gordon Crabb in Amsterdam

Carlsberg, the Danish brewery group which has a strong presence in Asian markets, yesterday told boycott campaigners it had dropped out of a joint venture project to build a brewery in Burma.

The brewery has been under pressure from The Danish Burma Committee, an influential pressure group strongly supported by Danish trade unions, to boycott Burma in protest at the country's military dictatorship and the recent unexplained death in prison of Mr James Leander

Nichols, honorary consul in Rangoon for Denmark, Norway, Finland and Switzerland.

The withdrawal will add to pressure on Heineken. A subsidiary of the Dutch company is building a \$30m brewery in the capital, Rangoon. Heineken has become a focus of a boycott campaign in the US, where its beer is the leading foreign brand.

PepsiCo earlier this year agreed to sell its stake in a Burmese cola bottling franchise after losing contracts to supply US college campuses and local governments, and Levi Strauss three years ago stopped buying cloth from Burma.

Ms Aung San Suu Kyi, the Burmese opposition leader whose National League for Democracy won elections six years ago which were immediately annulled by the armed forces, has urged multinational companies not to invest in the country while the military regime remains in power.

Yesterday she also urged foreign tourists to stay away.

Carlsberg had postponed a decision on its Burmese joint venture investment after a meeting with the Burma Committee in May. But yesterday Carlsberg said in a letter to the committee that its joint venture partners had decided to go ahead without Carlsberg.

"We are out of the picture as an investor in the brewery joint venture project," said the letter, signed by Mr Michael Inul, director for international affairs.

The tone of the letter was more irritated than apologetic. It pointed out that Carlsberg was not in business to pursue a foreign policy and had found it natural to look into establishing a brewery in Burma, which it considered to be a market with significant potential. The company did not want future business possibilities there to be weakened compared with its international competitors.

October. Since then, final approvals have been largely a formality.

An original tariff of Rs2.40 (7 cents) a unit was cut to Rs1.95, partly by expanding the plant's power capacity to 2,154MW. The project cost came down to \$2.5bn from \$2.8bn largely due to savings on generating equipment, the result of a worldwide fall in prices.

However, a further dispute beckons over the state government's liability for the \$18m suspension costs.

WORLD TRADE NEWS DIGEST

Kuwait in deal with Conoco

Conoco, the US oil company, and Kuwait have signed a technical services contract that could form the foundation for oil refining joint ventures in Asia.

The contract, the value of which was not disclosed, covers technical services that Conoco will provide to improve the efficiency of the three refineries operated in Kuwait by the state-owned Kuwait National Petroleum Company. Much of the output from the three sites is exported to Asia.

"We hope this provides a vehicle for a long-term relationship," said Mr Gary Edwards, vice-president in charge of downstream operations for Conoco, the energy subsidiary of the Du Pont chemical company.

He said that the two sides were looking at ways to expand the relationship, including the possibility of jointly running oil refineries in India. Kuwait is keen to supplement its exports to the Asian region with strategic direct investments in refineries in fast growing Asian energy markets.

Robert Corzine, London

Boost for Russian trade credit

Chase Manhattan Bank has organised a \$400m loan programme for Russian companies to help them import US goods.

Mr Sergei Bobushko, president of Chase's Moscow subsidiary, said the Russian distribution finance programme would be backed by a 60 per cent guarantee from the US Overseas Private Investment Corporation. Chase will assume about 35 per cent of the risk and the US supplier the rest.

"This is an attempt to begin stimulating a functioning trade credit market in Russia," Mr Bobushko said.

At present few Russian banks are willing to lend to companies to pay for goods, and the companies are forced to pre-pay for goods or seek export credits. The programme will allow Russian companies to develop a track record for a credit history.

Reuter, Moscow

Indian fibres venture agreed

Reliance Industries, India's biggest petrochemicals and textiles group, yesterday announced that it would build a \$140m plant to make industrial polyester fibres in a 50-50 joint venture with Hoechst Fibres, part of the German chemicals group Hoechst.

Reliance said work on the plant would begin later this year next to the group's existing petrochemicals and polymer complex at Hazira in the western state of Gujarat.

The venture, called Trevira Fibres India, using Hoechst's trademark, will make polyester industrial yarns for use in tyres and conveyor belts. Reliance said the plant would open in 1998 with an initial output of 25,000 tonnes of fibres a year.

Mark Nicholson, New Delhi

OECD Export Credit Rates

Table with columns for currency, term, and interest rate. Includes entries for D-Mark, Euro, French franc, Guilder, etc.

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.25 per cent is to be added to the credit rates when fixing at the interest rates may not be fixed for more than 120 days.

Delhi clears way for \$2.5bn Dabhol power plant

By Mark Nicholson in New Delhi

India's United Front government yesterday formally approved the \$2.5bn Dabhol power project, India's biggest and most politically controversial foreign investment after a year of suspension, renegotiation and reviews.

Mr Manohar Joshi, leader of Maharashtra's Hindu nationalist state government which "scrapped" the project last August, said the central gov-

ernment had agreed to provide financial guarantees for the project - the last impediment to clearance.

New Delhi's approval promises to close a saga which last year worried foreign investors, raising serious doubts about foreign investment in India's recently opened economy.

Enron, the US power group leading the project, in tandem with US groups Bechtel and GE, welcomed the news. Mr Sanjay Bhatnagar, Enron president and managing director

said work could resume "fairly quickly" at the site 100km south of Bombay, where a third of the work has been completed, once Enron's lenders had approved the final documents. The project is financed by the US Overseas Private Investment Corporation (Opic), the US Eximbank, ABE-AMRO, Bank of America and IDBI, India's biggest state-owned industrial lender.

The approval represents a volte-face by the Maharashtra government, which won state

elections opposing the 2,015MW plant as too costly, environmentally damaging and carrying too high a power tariff. The Hindu nationalist coalition "scrapped" the project after taking power, finding an enthusiastic response from "economic nationalists" opposed to foreign investment.

At the time, the Dabhol project was the biggest foreign investment in India and the first private, foreign-backed power project to complete financing and begin construction.

Problems and delays by most other foreign-backed power projects, partly resulting from other states undertaking their own reviews after Dabhol's cancellation, mean it will still be the first foreign power project to proceed.

The Maharashtra government changed tack last autumn after lobbying from industrialists concerned about power shortages and after Enron began legal proceedings. The government agreed to renegotiate the project last

October. Since then, final approvals have been largely a formality.

An original tariff of Rs2.40 (7 cents) a unit was cut to Rs1.95, partly by expanding the plant's power capacity to 2,154MW. The project cost came down to \$2.5bn from \$2.8bn largely due to savings on generating equipment, the result of a worldwide fall in prices.

However, a further dispute beckons over the state government's liability for the \$18m suspension costs.

Vertical advertisements on the right margin including 'African', 'Zambia abroad', 'SIEMENS NIXDORF', and 'Change Attitudes'.

Showdown looms between Washington and developing world over re-election bid by Boutros Ghali

Africans back UN chief in rebuff to US

By Michele Wrong in Nairobi and Jurek Martin in Washington

A showdown between the US and the developing world loomed yesterday following endorsement by the Organisation of African Unity (OAU) of Mr Boutros Ghali's bid for re-election as United Nations secretary-general.

After several hours of discussion African heads of state meeting in the Cameroon capital, Yaoundé, adopted a resolution

backing the secretary-general's attempt to win another five years at the UN helm. The negotiations delayed the formal opening of the three-day summit on Monday.

The adoption of the resolution will come as a disappointment to US President Bill Clinton's administration, which had taken the unusual step of sending Mr George Moose, assistant secretary of state and an expert on African affairs, to the 53-nation summit to argue its case.

It also sets the stage for a possible UN stand-off between the US, which is determined to veto Mr Boutros Ghali's re-election, and China, Russia and developing countries, which are more favourably disposed towards the 73-year-old Egyptian diplomat.

Mr Boutros Ghali, who originally said that he would stand for only one term, now says he needs a few more years to see through plans for restructuring the UN. His mandate expires in December.

Washington, which has been critical of Mr Boutros Ghali's record in handling such crises as Rwanda and Somalia, has made clear the \$1.5bn it owes the UN, source of the organisation's cash crisis, would be jeopardised by his re-election.

The US administration had expected the OAU endorsement but Mr Nicholas Burns, from the State Department, said the US was determined to find an alternative candidate to Mr Boutros Ghali.

"It could be a candidate from Africa," he said, adding that the US respected the tradition of secretaries-general coming from different continents. Mr Kofi Annan, the Ghanaian who heads the UN peacekeeping division, has frequently been mentioned as a possibility.

However, Mr Burns added: "We don't exclude a candidate from another region. And I think that for the first time in the UN history it is now possible to look at a very large field of female candidates."

Although it is a sore blow to Washington, the wording of the OAU declaration suggests there may be room for compromise.

The resolution emphasises that the OAU's priority is to see that an African, rather than Mr Boutros Ghali himself, retains the top UN job. While recommending his candidature, it stresses "the historic importance of the tenure, by an African, of the post of secretary-general of the United Nations".

INTERNATIONAL NEWS DIGEST

Copper users demand action

The International Wrought Copper Council, representing copper users, yesterday urged the London Metal Exchange to act if it wanted to retain its central role in the world market.

Britain's Securities and Investments Board is reviewing the role of the LME in the wake of the Sumitomo copper scandal. The LME said it would examine a number of detailed suggestions which leading copper users had made in a meeting with the exchange's chairman, chief executive and members of the board. The IWCC said discussions had not touched "on specific trading situations or on the activities of individual market participants".

Copper users repeated their support for the LME as a "barometer of the value for copper as a global commodity, as a hedging mechanism and as a market of physical delivery and supply of last resort," the IWCC said. But "these principles could be impaired if confidence in the market was undermined."

The IWCC quoted one leading consumer as saying that a "system for identifying and remedying possible abuses of free market mechanisms must work and must be seen to work."

Clay Harris, London

W Africa in stock market plan

Seven francophone West African countries plan to open a regional stock market next year.

The seven propose to turn the Ivory Coast's 20-year-old stock exchange into a regional bourse that will serve Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal and Togo. The seven are all members of the West African Economic and Monetary Union. The new exchange will trade both shares and a range of financial products including government debt.

Mr Charles Konan Banny, governor of the central bank of West African states, said: "It is a matter of giving ourselves the means to respond to the enormous financing needs of our economies."

Mr Kofi Bucknor, executive director for Lehman Brothers, the US investment bank, said in London: "It makes sense to have a regional exchange. It creates the economies of scale that justify investing in the region. Abidjan is a sophisticated financial centre and has the largest pool of prospective investors."

However, he stressed the need for improvement in communication links between the seven countries if the venture is to succeed.

Joel Kibazo, London

Uganda 'torturing civilians'

Torture and abuse against civilians continue in Uganda despite improvements in its rights record, human rights group Amnesty International said in a report released yesterday.

The London-based group said some suspects and prisoners had died during interrogation and that the Ugandan army continued to detain civilians in military facilities. "At least three people were reported to have died in custody in suspicious circumstances," Amnesty said.

Political analysts say President Yoweri Museveni's government has a better human rights record than its predecessors but the Amnesty report accused it of harassing political opponents. Analysts say torture, which was widespread and systematic under the previous governments of dictator Idi Amin and Mr Milton Obote, had been greatly reduced but not eliminated. The report based its findings on incidents in 1986 and said at least 110 people were arrested and charged with treason or failing to give information about alleged cases of treason.

Reuter, Kampala

Zambia looks abroad for copper cure

By Mark Ashurst in Johannesburg

Zambia is looking to competition between international mining groups to cure its ailing copper industry, signalling a radical shift in policy from that of two years ago.

Mr Kofi Weisbich, Zambia's minister of mines and minerals development, embarked on plans for the partial privatisation of Zambia's copper mines this year following the advice of a World Bank delegation.

Zambia's copper production has fallen from a peak of 700,000 tonnes a year in 1969 to 300,000 tonnes last year. The country is now encouraging competition between rival South African mining houses to develop the rich Konkola copper belt in co-operation with the state-owned Zambia Consolidated Copper Mines.

Anglovaal Minerals, the Johannesburg-based mining and industrial group, announced this week it had won exclusive rights to develop Zambia's Konkola North reserve in co-operation with ZCCM. The deal, which excludes rival Anglo American Corporation, signals the government's new-found willingness to encourage competition between foreign mining companies.

Anglo American is currently negotiating with ZCCM to develop the adjacent Konkola Deeps copper belt. The Anglo group said: "We have a memorandum of understanding with the Zambian government that we will put together a consortium to develop Konkola Deeps. Negotiations are at an early stage."

Just two years ago, ZCCM rejected a similar proposal from Anglo American to develop Konkola Deeps because the Zambian state-controlled company would have held only a minority stake.

The programme to bring in private funds to develop mines faces difficulties. The weak copper price, bureaucratic hurdles and underdeveloped infrastructure are the principal obstacles to reviving what was once the world's biggest copper supplier.

Analysts suggested investors, wary of the weak copper price and the current copper surplus, would welcome the pooling of the two Konkola reserves into a single development. This could yet happen if feasibility studies at Konkola North are successful: the project is likely to cost between \$500m and \$1bn, an investment that Anglovaal can not finance without new partners in Zambia.

Warning on spread of new HIV strains

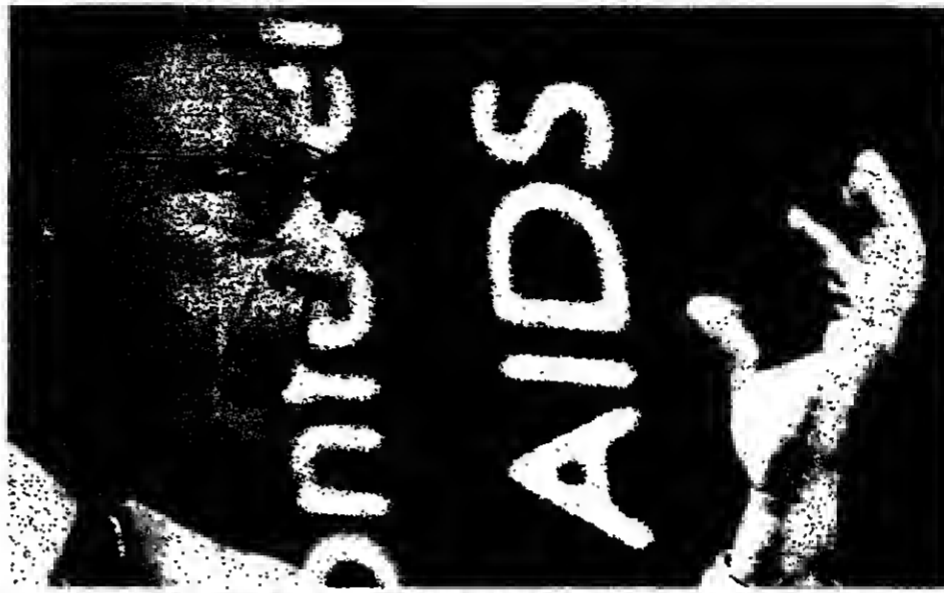
By Daniel Green in Vancouver

The rapid spread of new strains of HIV across the globe has increased the urgency in the search for a vaccine, the Eleventh International Conference on Aids was warned.

"It is clear the Aids epidemic will not decline without availability of preventive vaccines," said Mr Luc Montagnier, head of the Aids and Retrovirus department at the Pasteur Institute in France, and a co-discoverer in the 1980s of the Aids virus.

Calling for international collaboration between academic laboratories and pharmaceutical companies to work on HIV/Aids vaccines, he and others at the conference warned there were several years of research still required before an effective vaccine against HIV could be developed. Vaccines need only be given once or twice rather than taken daily, thus avoiding the danger of patients not taking them properly.

Mr Richard Parker, chairman of the department of Health Policy at the State University of Rio de Janeiro, yesterday called for a policy shift



The latest range of Aids treatments - combinations of drugs that have had dramatic results in short-term trials - could prove a false dawn, warned Mr Robert Gallo (pictured above), co-discoverer of the Aids virus HIV, writes Daniel Green.

Mr Gallo packed one of the main halls at the Eleventh International Conference on Aids in Vancouver as he told delegates there were strong parallels between the state of Aids treatments now and that for cancer in the 1960s. Then, combination therapies for cancer were in their infancy and held out much hope of success. "We eventually saw the cure of a few cancers like some childhood leukaemias," he said. "The principles are similar but so are the problems."

Many cancers eventually resist drugs, as HIV has resisted several treatments, he said. Some patients with cancer or HIV cannot tolerate the side effects, and the drugs themselves can cause illness. However there had been genuine progress for the first time in five years.

in managing the spread of HIV/Aids infection from measures to change individuals' behaviour to those designed to change social structures. Programmes so far have concentrated on individual behaviour change, advertising the need to use condoms. However, there is a growing realisation that some social groups, such as women in developing countries, are unable to protect themselves against infection if men refused to use condoms.

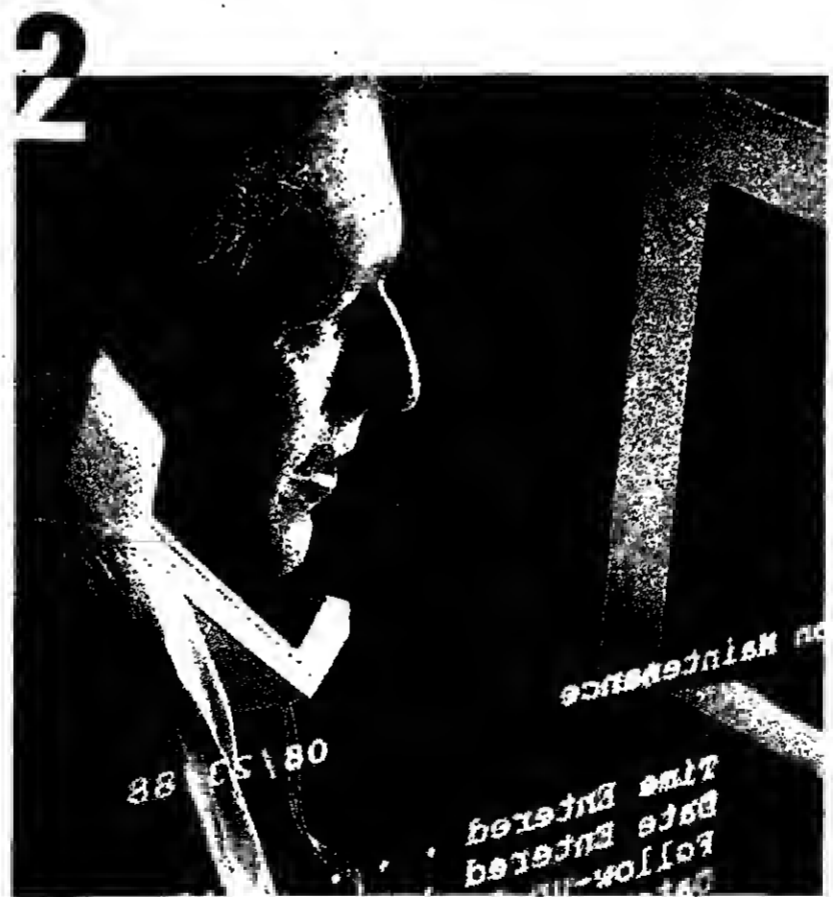
Opening the second day of the conference, Prof Parker said that such "social injustice" would lead by 2000 to 90 per cent of HIV infected people living in developing countries. Prof Parker reflected concerns at the conference that latest breakthroughs in drug therapy would not be applicable to developing countries. Apart from costs - between US\$10,000 and US\$15,000 a year - the drugs could not be distributed or administered effectively because of conditions under which they must be taken. New treatments involve combinations of drugs. Each has to be taken several times a day, some not within two hours of eating food or one of the other drugs in the regimen and some must be taken with large volumes of water. Glaxo to market triple combination of Aids drugs, Page 18

SIEMENS NIXDORF



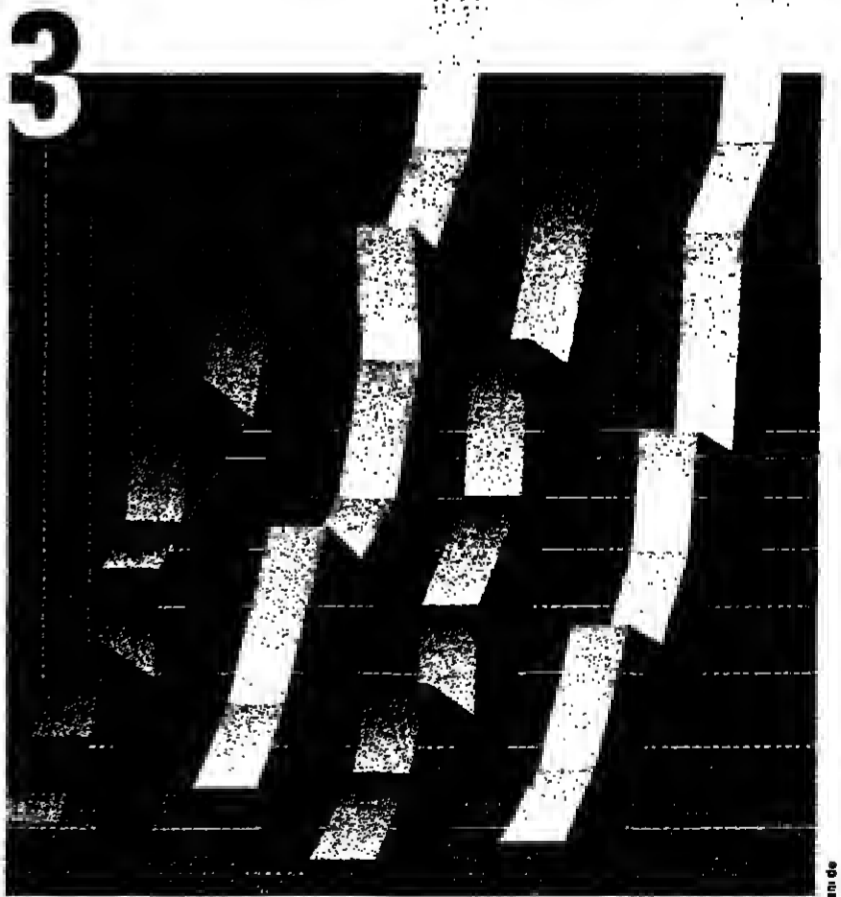
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NEWS: THE AMERICAS

Long life not early death is now Americans' central concern

US life insurance industry sails into the doldrums

They were known as "vanishing premiums". To judge the millions of Americans who bought these life insurance policies - 3m alone from New York Life - they were one of the most popular new forms of life insurance of the early 1990s.

The theory was simple. High yields on bonds bought with the initial premiums would generate returns big enough to cover future premium payments. The holders would never have to write another cheque. In the event US interest rates fell rapidly.

"The vanishing premiums didn't vanish," says Mr Mark Puccia, managing director at Standard & Poor's, the US credit rating agency. The US life insurance industry is now mixed in legal disputes with customers who claim they were misled about the real risks of such policies.

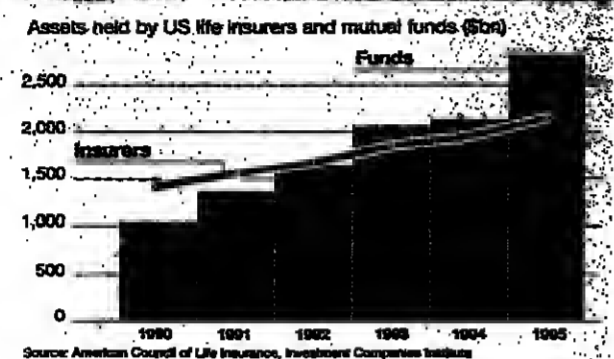
That is just one of a series of nationwide disputes that has cast a shadow over the way life insurance companies have drummed up sales in the 1990s.

Prudential Insurance, the country's biggest life insurer, formally agreed yesterday to pay restitution to millions of customers who were victims of "churning" - encouraging them to cash in existing policies and buy new ones. Metropolitan Life, the second biggest, has itself agreed to an extensive compensation programme for customers who say they were misled.

This slew of litigation is, in part, a reflection of the poor control life companies have exerted over the armies of independent sales agents who sell more than 97 per cent of new policies in the US.

More than this, it points to underlying weaknesses which the life insurers have been slow to admit, to let alone deal with. These have served to squeeze the income of life insurance agents. And that, in turn, has added to the pressures on agents to generate new sales any way they can.

One underlying problem has been the remarkable decline in the popularity of life insurance



in the US. In nominal terms, sales of new life policies have remained constant at around \$10bn a year for the past decade: in real terms, though, they have fallen steadily. Also, the number of new policies sold each year has dropped by nearly a third since the early 1980s, as Americans have shifted their attention to other forms of investment.

"People these days are more concerned about living too long than dying too soon," says Mr Steve Orluck, vice-president in charge of individual sales at MetLife. The result has been a boom in retirement savings, in large part through mutual funds. In terms of size, the mutual fund industry overtook the life insurance industry three years ago.

The second problem has been the chronic inefficiency of a sales system that relies on an army of agents to sell policies

Prudential Insurance, the US's biggest life insurance company, allowed widespread sales abuses by its agents to continue for more than a decade, a group of state insurance regulators said yesterday.

Their report, and a compensation plan which could cost the company up to \$1bn covering more than 10m of the company's policyholders, marks the culmination of a year-long investigation into the company.

The group of regulators from 30 states also recommended that Prudential pay fines totalling \$36m, the most ever imposed on a US insurer.

The abuses centred on practices known as "churning" and "twisting," regulators said. Churning involves encouraging customers to cash in one policy to buy a new one, generating new commissions for the agent, while twisting is the sale of insurance based on inaccurate comparisons.

Under the compensation arrangement, Prudential will write to all who bought its policies between 1983 and 1995, inviting them to file a claim if they believe they were misled.

antagonising their agents, most have been loathe to develop new channels of distribution that might be viewed as competition.

That attitude seems now to be changing. Spurred by a series of legal victories which have extended their powers to sell insurance, US banks are making a push into the business.

Sensing this change, a number of life companies, including Prudential and MetLife, have said they are considering using banks to sell their policies.

The life insurance agents, says Mr Orluck at MetLife, have little choice but to accept this shift. "Nobody likes competition," he says. "But they have come to realise the reality of the situation. We can't put our head in the sand."

Richard Waters

Bertha kills three as hurricane worsens

Strengthening Hurricane Bertha appeared to be veering away from the south-eastern US coastline yesterday after swirling through the eastern Caribbean, killing at least three people, Reuter reports from Nassau, Bahamas.

Bertha, its winds blowing at 115 mph, curved slightly north, which would spare much of the Bahamas as well as Florida, Georgia and South Carolina, the national hurricane centre said. But North Carolina remained vulnerable to Bertha's winds some time tomorrow, depending on the storm's path, forecasters said.

A hurricane warning remained in effect for the Turks and Caicos Islands, and for the central and south Bahamas.

Mr George Charite, head of the Red Cross on Grand Bahamas, said 32 shelters were being prepared. Residents of the Bahamas, a chain of tiny



HIG BERTHA: the first Atlantic hurricane of the season hits Puerto Rico

islands stretching for some 600 miles, were stocking up on torches, batteries and bottled water.

The storm, the first hurricane of the Atlantic season, was upgraded early yesterday to a dangerous category 3 storm capable of deadly destruction when its winds topped 111 mph.

Bertha, which was a minimal hurricane on Monday with winds of 80 mph, caused relatively minor damage throughout the British and US

Virgin Islands, Puerto Rico, Antigua and Barbuda and a few other tiny islands in the eastern Caribbean.

The wind tore off roofs from houses, sent palm fronds flying and downed power and telephone lines, according to officials in the Leeward islands. By yesterday airports, banks and shops had reopened, and repair crews had restored much of the power and telephone service.

At least three deaths were blamed on the storm. In Puerto Rico, two men died when they lost control of their car on roads during heavy downpours of rain and another man drowned while surfing off Luquillo.

Although it appeared the hurricane would spare the south-eastern US coastline, federal officials urged residents to keep an eye on Bertha.

"People need to take storm warnings very seriously," said Mr James Witt, director of the Federal Emergency Management Agency.

Crusader Lamm throws hat into presidential ring

By Jurek Martin in Washington

Mr Richard Lamm, the 60-year-old former governor of Colorado, yesterday threw his hat into the US presidential ring by announcing that he would seek the nomination of Mr Ross Perot's Reform Party.

He said in Denver that neither the Democrats, his party, nor the Republicans were capable of dealing with "the most pressing issues of our time."

Necessary reforms could not be carried out "in the existing political dialogue" by the two main parties, both "petrified into inaction" by their obligations to special interests, he said.

Mr Lamm, governor of Colorado from 1979 to 1987 and subsequently an unsuccessful Senate candidate, promised a grass-roots campaign on the premise that "America must ask itself not what it wants but what it can afford."

He described the New Deal - the great social legislation introduced under President Franklin Roosevelt in the 1930s - as now "a raw deal for our children."

The "entitlement ethic," he said, must give way to the "self responsibility ethic". Specifically he would severely limit social benefits to wealthy older Americans and begin to privatise the social security system.

As governor and later, Mr Lamm became well known for his tendency to take an apocalyptic and frequently emotional view of the state of the nation.

His most recent crusade, very much in the same vein,

has been against immigration, legal and illegal.

His announcement technically pits him against Mr Perot, the 1992 independent presidential candidate, for the Reform Party nomination, to be decided next month by electronic and postal voting at two mini-conventions - in Long Beach, California, and in Valley Forge, Pennsylvania.

There is little doubt that if Mr Perot decides to run he would beat Mr Lamm. But the former governor is easily the most prominent politician to be attracted to the Reform Party ranks and it is perfectly possible that the Texas billionaire could take satisfaction in that fact and choose to stay on the notional sidelines.

However, the Reform Party - and particularly Mr Lamm, who is not independently wealthy - needs Mr Perot's finances. His presence on the ballot may also be necessary if the party is to receive federal matching funds, which could total \$30m.

The spokesman for the campaign of Mr Bob Dole, the certain Republican candidate, thought the presence of two Democrats on the November ballot - President Bill Clinton and Mr Lamm - could "help the lone Republican."

Mr Clinton, an old friend of Mr Lamm's, said he was not bothered by his entrance into the race.

Democrats generally believe a respectable Reform Party showing makes it harder for Mr Dole to overcome the president's current substantial polling lead.

AMERICAN NEWS DIGEST

Investment flow to US loses pace

Foreign investment in the US rose for the third consecutive year in 1995, the Commerce Department said yesterday, but at a much slower rate than the boom levels of 1994 and 1993.

The department said outlays for new investment increased by \$8.7bn, or 19 per cent, to \$54.4bn last year. They had jumped 74 per cent and 71 per cent, respectively, in the two previous years.

Despite these increases, the department said new investment remained well below the 1988 peak level of \$72.7bn, largely because of a sharp reduction in the level of new investments from Japan.

The largest foreign investors in 1995 were Germany with \$14.2bn against only \$3.3bn in 1994; Britain with \$9.7bn (\$17.3bn in 1994); and Canada with \$6.5bn (\$4.1bn in 1994), the department said.

Reuter, Washington

GM recalls nearly 300,000 cars

General Motors is recalling nearly 300,000 1996 and 1997 models because of a defect that may make the cars backfire and in rare cases lead to engine fires, the company said yesterday.

The recall of 292,850 cars includes some 1996 Pontiac Bonneville sedans, Oldsmobile Ninety-Eight and Eighty-Eight luxury cars, Buick Park Avenue, LeSabre, Riviera and Regal models and some 1997 LeSabre sedans that have 3.8 litre engines, all built before May 1996.

A GM official said the problem, which was discovered through reports from consumers, starts when the cars backfire. That can break the intake manifold in some cases and stop the car starting. No accidents or injuries had been reported because of the problem. However, GM's recall notice tells drivers not to start the cars with the bonnet open. The company refused to say how much the recall would cost.

AP, Detroit

US airline safety under fire

The US airline industry needs to pay more than just "lip service" to improve safety, one of the Federal Aviation Administration's harshest critics said less than 24 hours after leaving her government watchdog job.

Ms Mary Schiavo, who resigned on Monday as the Transportation Department's inspector general, said she intended to remain outspoken.

"There's a tremendous amount of work that has to be done. We've had a lot of lip service over the years," she said in interviews on morning television.

Ms Schiavo in recent months has offered blistering assessments of the FAA. Her public visibility increased dramatically in the aftermath of the ValuJet crash in the Florida Everglades in May.

But she has not been free of criticism herself. Members of Congress have suggested she should have passed her concerns on to them before airing them publicly.

AP, Washington

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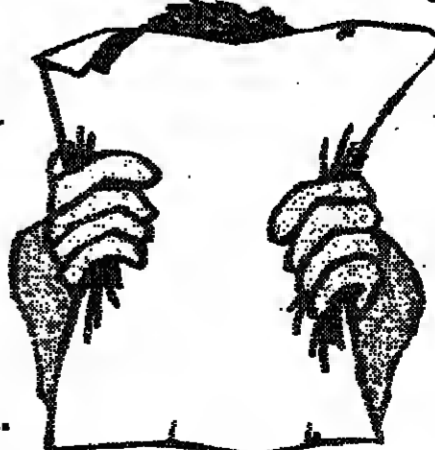


For more information about the investment opportunities in Minas Gerais, contact the Industry and Commerce Office. Phone 55 (031) 275-1722. Fax 55 (031) 337-0378. Rua Gonçalves Dias, 2553 CEP 30140-092. Belo Horizonte, Minas Gerais, Brazil.

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Rao ordered to appear in fraud case

By Mark Nicholson in New Delhi

Mr P.V. Narasimha Rao, the former Indian prime minister, has been summoned to answer allegations in a conspiracy case with a controversial mystic, whose acolytes include the film star Elizabeth Taylor.

India's former Congress party prime minister will appear before a Delhi court on July 24, accused of conspiring with the mystic, bearded and bejewelled Mr Neelam Chand Jain, known as Chandraswami, to defraud a British-based businessman of \$100,000.

Mr Prem Kumar, a senior magistrate, said Mr Rao must appear to answer what he called "shocking" charges of "criminal conspiracy" made during a case last week by Mr Lakhubhai Patil, the London-based businessman. Mr Rao has denied the allegations, which arise from a case brought by Mr Patil that came to court this year after eight years of investigations.

The charges cast a further cloud over India's political establishment following a July 10 political bribery scandal which led to charges against 25 senior politicians including seven ministers in the former Congress party government.

Mr Kumar said Mr Rao's status "cannot confer on him any immunity, protection or superior right", adding that "it would be in his interest as well that, being in public life, his image remains pure and clean". He said the court was "thore obliged to summon him to answer the charges."

Mr Patil charged in a Delhi court last week that Mr Rao had been party to a conspiracy to defraud him of the money, which he said he had paid in 1983 to secure newspaper and pulp contracts. Mr Rao was at the time foreign minister in the government of Rajiv Gandhi, former prime minister.

Chandraswami is a high-living faith healer and Indian "god man" who operates a large ashram in Delhi and whose followers allegedly include Mr Rao. The pair have known each other since Mr Rao began his political career in Andhra Pradesh. Chandraswami was arrested in May following a probe by India's federal Central Bureau of Investigation. He has been investigated for a number of other charges, including a fine in May for a breach of currency rules.

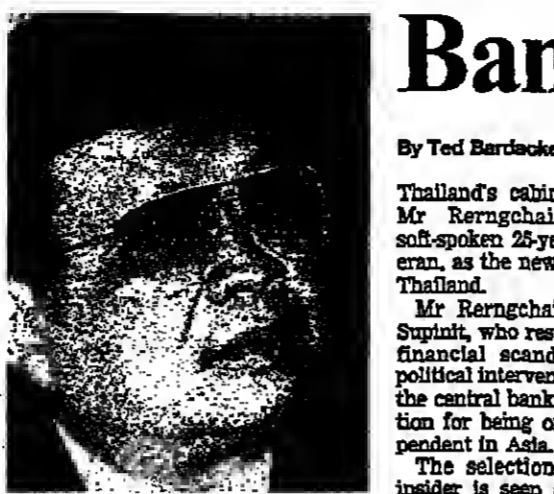
Mr Patil alleges that Chandraswami, his assistant and Mr Rao cheated him of the \$100,000, which he said was paid to Chandraswami in a New York hotel in 1983. He alleged that he made the \$100,000 payment after meeting Mr Rao, whom he also alleged had been told "everything" about the scheme.

Mr Rao has repeatedly denied any special relationship with the colourful and controversial Chandraswami or any involvement in the case. However, the charges are certain to increase the pressure on Mr Rao to quit as leader of Congress, which suffered an historically poor electoral showing in the April-May elections.

The charges may also prove deeply uncomfortable for the United Front government, which depends upon the support of Congress' 142 MPs in parliament.

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Rangchai Marakononda: low-key

Bangkok names central bank chief

By Ted Bardecke in Bangkok

Thailand's cabinet yesterday named Mr Rangchai Marakononda, a soft-spoken 25-year central bank veteran, as the new head of the Bank of Thailand.

Mr Rangchai replaces Mr Vijit Sunitit, who resigned last week amid financial scandals and increasing political intervention in the policies of the central bank, which has a reputation for being one of the most independent in Asia.

The selection of a central bank insider is seen as a major step forward in protecting the Bank of Thailand's independence and restoring staff morale, which has sunk of late.

Mr Rangchai has been a deputy governor for the past six years and has worked in some of the Bank of Thailand's most important departments, including bank supervision, a hot spot for the bank as the Thai market is steadily liberalised.

Mr Rangchai, 54, was not as close to Mr Vijit as another inside candidate for the position, Mr Chaiyawat Wibulswadi, also a deputy governor. During Mr Vijit's reign, Mr Chaiyawat was given higher profile roles in areas such as exchange rate and interest rate management.

The new governor's lack of visibility, combined with his low-key style, has led to some concerns about whether he is strong enough to resist the inevitable attempts by politicians and commercial bankers to interfere with central bank policy. Some in the Thai financial community had recommended that prime minister Banbarn Sipla-archa appoint a high-profile outsider in an attempt to shake up the bank.

But most analysts believe a methodical manager like Mr Rangchai, who studied at Japan's Keio University and at the London School of Economics, is what the bank needs after Mr

Vijit, who had a penchant for political allegiances that eventually detracted from the bank's credibility.

"He'll get on and do his job," said Mr Graham Catterwell, head of equities at Deutsche Morgan Grenfell in Thailand. Mr Bodi Chummananda, the finance minister, who had a sustained conflict with Mr Vijit over interest rate policy, said Mr Rangchai would be given free rein at the bank.

Hong Kong fortified by a quiet revolution

John Ridding examines evidence that an economic transformation has sharpened competitiveness

A way from the heated debate on Hong Kong's political future, the capitalist system - which will be subject to communist sovereignty from July 1 next year - has been undergoing a quiet revolution. This transformation has seen one of Asia's most dynamic traders export a large part of its own economy, shifting simultaneously towards information-based and service industries.

The result, underlined in a study by professors from the Harvard Business School, is an economy more resilient and more dynamic than portrayed by conventional measurements.

This analysis rejects bleak forecasts for the post-1997 period. But it points to the need for careful handling during the transition and further efficiency gains to keep Hong Kong ahead of regional rivals.

Manufacturing shows signs of post-industrial decline, with its share of GDP falling from 24 per cent in 1979 to less than 15 per cent today, and its workforce halving to below 400,000. These figures, however, are deceptive. Manufacturing has not disappeared, it has just moved location.

Hong Kong companies now employ more than 8m in China, most in the Pearl River Delta, and many more across the region.

With the departure of low-value manufacturing processes to cheaper production centres, headquarters in Hong Kong have concentrated on developing sophisticated marketing, design and commercial activities. These are often reclassified as service businesses, accentuating the statistical shift from manufacturing.

"Many people doing the same jobs in the same companies are now classed as service workers," says Professor Michael Enright, who led the Harvard study. He argues that "Hong Kong manufacturing today is stronger than it has ever been."

Hong Kong: looking further afield

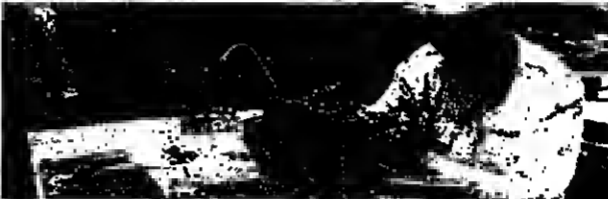
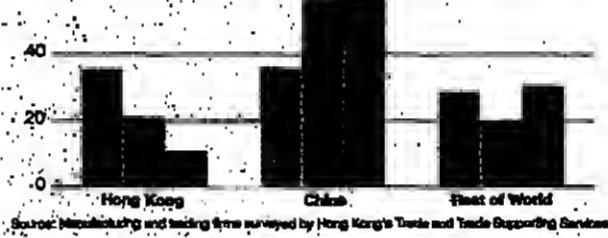


Table with 2 columns: Country, Outward foreign direct investment (\$bn) (1994). Includes US, UK, France, Hong Kong, Germany, Japan, S. Korea, China, Taiwan, Malaysia, Singapore.

Hong Kong companies' exports



banking services... and so on." A survey conducted at the end of last year by the territory's Trade Development Council estimated offshore trade at US\$84bn. Invisible income from this trade is estimated at 10 per cent of GDP.

investment and infrastructure. Thousands of transnational companies based in the territory act as sourcing centres, managing design, marketing and distribution for overseas operations. Hong Kong itself has strengthened its position as a centre for related services, from shipping to trade finance.

For Mr Jim Enright, chief economist for Asia at C.S. First Boston, it is a system which plays to Hong Kong's traditional strengths: "It is the most managerially adept economy in Asia for this type of activity."

Mr Enright argues that Hong Kong has different advantages from Singapore, citing its strength in entrepreneurial "hustle" strategies, which he distinguishes from "commitment" strategies of large-scale investments.

Hong Kong's hands," he says. The territory's economic transformation, however, also brings new risks and challenges. For most in the business community the high land and labour costs that have encouraged the dispersal of Hong Kong's economy must be contained if the territory is to prevent corporate migration to regional rivals, from Shanghai to Sydney. A level playing field, with no bias towards mainland groups, and the maintenance of the rule of law are also stressed as vital in securing Hong Kong's position.

Singapore, in particular, has sought to capitalise on uncertainties ahead of Hong Kong's return to China. Television advertisements in Hong Kong extol the attractions of the city state and point to efforts to draw businesses and investors.

Mr Enright argues that Hong Kong has different advantages from Singapore, citing its strength in entrepreneurial "hustle" strategies, which he distinguishes from "commitment" strategies of large-scale investments. But these advantages require a free hand for Hong Kong business. "Freedom of information and movement and the absence of political intervention are indispensable to our system," says one executive. "If these freedoms were to be curbed after the handover, or if the playing field became uneven, then it would deal a heavy blow to Hong Kong Inc."

ASIA-PACIFIC NEWS DIGEST

Japanese warship to visit Russia

A Japanese destroyer will visit Vladivostok in Russia's far east later this month, the first Japanese warship to call at a Russian port in more than 70 years.

This is indeed an important and historic visit and we hope this will greatly contribute to building trust and confidence with Russia," Admiral Natsukawa said.

Suharto health checks start. President Suharto of Indonesia began three days of medical checks in Germany yesterday as wary financial markets at home waited for news about his health.

Cambodia makes logging pledge. Cambodia is likely to receive \$20m from the International Monetary Fund in the next few months after giving the fund assurances about its logging policy.

India growth drives Nepalese turbines. Prospects are good for the expansion of hydro-electric power, writes Stewart Dalby.

India growth drives Nepalese turbines

A shortage of energy needed to drive growth in neighbouring India is providing poor, landlocked Nepal with what some economists regard as its best-ever prospect for development.

With a rapidly growing population of 19m and an annual income per head of about \$200, Nepal is one of the world's poorest countries. Notwithstanding special cases, such as those African states that have suffered the double scourge of drought, it is also one of the world's most aid-dependent. This year multilateral and

Ramos quells opposition to Moslem autonomy deal

Philippine local government leaders have backed down from plans to declare "symbolic" war on a deal giving autonomy to the country's minority Moslem population after President Fidel Ramos threatened to prosecute them for sedition.

The government and the Moro National Liberation Front (MNLF), which represents most of the country's 5m Moslems, are to resume high-level peace talks today to determine how to integrate Moslem guerrillas into the Philippine army and police forces.

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China presses US on Taiwan

China yesterday called for "concrete action" by Washington to affirm the US's "one-China" policy - towards Beijing and Taiwan - following meetings between Mr Anthony Lake, the US national security adviser, and Chinese officials.

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THE AGE

NEWS: UK

Industrial conglomerate's south Wales plan is expected to create 6,100 jobs
LG to announce £1.7bn complex

By John Burton in Seoul, Roland Adair in Bristol and Stefan Wagstyl in London

LG, the South Korean industrial conglomerate, is expected to announce today plans to build a £1.7bn (\$2.6bn) electronics complex in South Wales, which will create 6,100 jobs in the largest inward investment ever made in Europe.

The project, which was due to be confirmed in Seoul today by LG officials and Mr William Hague, the Welsh secretary,

will underline Britain's position as the biggest magnet for foreign investment in the EU. Britain's governing Conservative party will hope this economic success will boost its flagging political fortunes in Wales and elsewhere.

The complex will consist of two factories - a semiconductor plant with 1,700 jobs to be built by LG Semiconductor and a consumer electronics plant run by LG Electronics which will expand employment steadily up to a proposed peak of 4,400.

The semiconductor factory will produce next-generation 64 megabit and 256 megabit computer memory chips. The consumer electronics plant will start by making television components and later make wide-screen televisions.

Wales has secured the investment after 10 months of tough negotiations in which it fended off challenges from other countries and other British regions. The announcement was delayed by debates within LG - the former Lucky Goldstar - about proposed loca-

tions. These included a last-minute effort by LG Semiconductor to build its plant in Scotland, which was overruled by the LG group head office on the grounds that a single location was more cost effective.

The competing development authorities offered generous grants. The Welsh Office and the Welsh Development Agency's proposed offer is understood to be worth up to £20m, including funds for training and site preparation. This is the equivalent of about £30,000 a job - considerably more than

given to many other inward investors. Even for large schemes, few companies secure more than £20,000 a job. Welsh officials are expected to argue they did not breach Treasury aid guidelines. However, they may be challenged by development agency officials from other regions.

The LG group, Korea's third-largest industrial conglomerate, is a leading producer of consumer electronics and semiconductors. It already manufactures colour televisions and microwave ovens in Newcastle.

Public borrowing forecast increased

By Robert Chotia, Economics Editor

Weak British tax revenues and unexpectedly big bills for debt interest and social security payments have blown a hole in the UK government's finances, forcing Mr Kenneth Clarke, the Chancellor of the Exchequer, to raise his forecast for public borrowing next year by £5bn (\$12.4bn).

Mr Clarke insisted yesterday that he would cut taxes "every time there's a chance of doing so". But the outlook for government borrowing depicted in his summer forecast will severely limit his room for manoeuvre in November's pre-election Budget. Some Treasury officials are telling him to raise taxes, not cut them.

Defending his predictions, Mr Clarke also launched a surprise attack on the Bank of England, the central bank, arguing that throughout his tenure the bank's forecasts for inflation had "always been wrong and always been too pessimistic". There was renewed speculation that Mr Clarke might soon push Mr Gordon Brown, the Chancellor, to meet the shortfall between its revenue and spending. This is £7.8m more than he predicted in last November's Budget, an upward revision of more than 50 per cent.

The forecast for this year's public sector borrowing requirement has been raised from £22.4bn to £26.9bn, in line with the forecasts of independent economists. The government continues to break the so-called "golden rule" under which it should only borrow to pay for investment.

The Treasury in effect conceded the government might not be on course to achieve the budget deficit of 3 per cent or less of gross domestic product in 1997, the target for participation in the single European currency by the Maastricht treaty. Mr Clarke said it was "quite a close call".

Mr Gordon Brown, the Labour party's shadow chancellor, accused the government of "failing to tackle tax abuse and avoidance and failing to get unemployment down and so cut the bills of economic failure".

Editorial comment, Page 11
Lex, Page 18

Ministers praise success in attracting investment

By Michael Cassell, Business Correspondent

The tide of investment into Britain has reached record levels for the third year in succession, boosted by a rise in the number of investors moving in from other EU countries.

With 55 new German investment projects announced in the year to April 1996, the British government claims that the UK has moved clearly ahead of the US as the largest recipient of German direct investment worldwide. According to ministers, the UK has become the most favoured overseas location for the US, Japan and Germany.

Last year, total German direct investment overseas more than doubled. More than

1,500 German companies now have a UK operation, around a fifth of them in manufacturing.

Announcing 477 new projects in the year to April 1996 - more than 50 per cent up on three years earlier - Mr Ian Lang, the UK trade and industry secretary, claimed that low taxes, labour flexibility and a free enterprise environment had companies "flocking to Britain".

He claimed that policies of the UK's Labour party would raise wage and social costs and destroy the competitive edge which was attracting investors into Britain. He accused Labour of threatening to "seriously undermine" the confidence of investors by imposing upon them the additional cost

burdens which they were attempting to escape.

Figures from the Invest in Britain Bureau, which co-ordinates the UK's investment drive, show more than 48,000 jobs were created in 1995-96 through new investment into the country. Since 1993, the bureau adds, more than 1,300 inward projects have been announced, creating 114,000 jobs and safeguarding more than 285,000 others.

The IBB calculates that last year about 46 per cent of all inward investment into the UK was from the US, with 35 per cent emanating from Europe and about 17 per cent from Asia-Pacific countries. Nearly 60 per cent of new investment recorded last year involved additional expenditure by over-



UK inward investment (Number of projects, 1993-96)

sees companies already established in the UK. The UK took 38 per cent of all inward investment into the EU and accounted for 40 per cent of all Japanese investment made within the single market. Mr Lang said the UK had been particularly successful in attracting investment in several critical sectors, includ-

ing the automotive industry, electronics, pharmaceuticals, telecommunications and financial services. The UK's stock of inward investment stands at more than £150bn (\$229bn), up from \$45bn in 1985. The government says in the past decade more than £100bn of international investment has gone into the UK economy.

European access lures Korean business
Companies want EU-based operations to avoid high wage costs and trade barriers

The decision by LG Group, the industrial combine, to build a £1.5bn (\$2.3bn) electronics complex in Wales will double South Korean industrial investments in the UK to more than \$4bn.

It will also confirm that the UK is the favoured investment destination in the EU among Korean companies.

The UK's popularity has gained momentum since 1994 when Samsung Electronics, the electronics affiliate of the Samsung chaebol, or industrial grouping, decided to build a \$450m consumer electronics plant at Wynward Park, in north-east England. The elec-

tronic plant opened last year. "The Samsung decision was the turning point that encouraged other Korean companies to invest in the UK," said a UK official in Seoul.

At least 13 other investment projects in the UK have been announced by Korean companies since March last year, including component suppliers to Samsung. There are more than 100 Korean companies - financial and trading companies as well as manufacturers - and some 15,000 Korean residents.

Although Korean companies have preferred England or Northern Ireland, the last year has seen a Korean expansion

into Wales and Scotland for the first time. The Halla group, a smaller chaebol, plans to build lift trucks and other heavy equipment in Wales, while Shinho Tech, an electronics maker, recently announced a computer monitor factory in Scotland.

More Korean UK investments appear to be on the way. Daewoo is considering a joint venture semiconductor plant with Texas Instruments in Northern Ireland, where Daewoo already manufactures consumer electronics.

The sudden move by Korean companies into the UK reflects their need to escape increasingly high wage costs in South

Korea. Its companies also want to establish a manufacturing base in the EU to avoid possible trade barriers. Mr Daniel O'Brien, managing director of Samsung Electronics UK manufacturing operations, says: "The most important attraction is access to the European marketplace."

Government grants play a big - often decisive - role in domestic competition among British regions. The £20m aid for LG is the equivalent of nearly £30,000 a job. This would seem to set a new record for a large project outside Northern Ireland. Siemens, the German electronics group, received under £20,000

for the semiconductor plant it is building in the north-east of England.

Government officials say the grants to LG, covering funds for training and site preparation as well as direct grants, do not breach UK Treasury guidelines. They also deny that LG encouraged any kind of location between competing regions. But since details of the negotiations are confidential, the scale of the award is bound to attract attention, not least from those UK regions which lost out to Wales.

John Burton
Stefan Wagstyl

Three arrested after threats to contaminate food

By Clay Harris in London

A British man has been arrested in Vienna after attempts to extort £50,000 from five UK food companies by threatening to contaminate a wide range of their products with micro-biological organisms, police said.

The 37-year-old man, said by police to run a computer consultancy in Not-

tinghamshire, central England, was arrested on Monday as an attempt was made to draw money from a bank account. The man's wife and a male relative were arrested in Nottinghamshire. No charges have been filed, police said yesterday.

The arrest followed a month-long operation during which police placed a series of classified advertisements

in a British newspaper to communicate with an individual who had sent letters to the companies, which were not identified.

Police said there had been no threat to public health and none of the companies had paid any ransom.

Each of the companies contacted police after receiving the first letters, which demanded payment of £50,000

into a numbered foreign bank account and threatened contamination of named products if it was not paid.

Later letters were accompanied by product samples contaminated with a "harmless food dye", police said, an effort to demonstrate that the correspondent could discreetly penetrate the packaging. They also received test tubes containing cultures of one of

the threatened organisms - Yersinia enterocolitica, capable of causing stomach upsets and diarrhoea. Police said tests showed the sample was "professionally cultured and prepared in a way consistent with scientific knowledge". Health experts said consumption of food contaminated with the organism would have had no harmful effect.

London Stock Exchange reforms attract criticism

By John Gapper, Banking Editor

The London Stock Exchange's proposed reforms of share trading in the City have been criticised for giving unfair advantages to the big investment banks that currently act as marketmakers.

Instead, the agency broker owned by Reuters has attacked a proposal to allocate privileges to banks that will perform a similar role to marketmakers in a reformed

share market as "misconceived", and said it may damage overall market liquidity.

Mr Douglas Atkins, managing director of Instinet UK, said that it was correct to reform the system of share trading, but "if the proposals are implemented in this form, none of the objectives behind them may be met".

Instinet is a rival to large marketmakers that provide liquidity by guaranteeing constantly to quote prices at which they will buy and sell

shares. It has said the exchange should not allow a blanket exemption from tax on share transactions for the "registered principal traders" that will take the place of marketmakers in the proposed new system.

It suggests that any firm or individual who puts capital at risk by buying a block of shares from an investor and then "unwinding" it by selling it to others should be exempted from stamp duty on that transaction.

New market's success worries the experts
High price of companies on Aim and their rate of admission is causing concern

Celebrations for the Alternative Investment Market's first birthday are barely over, but already several market professionals are expressing strong reservations about developments within it.

Concerns include the rate of admissions to the new market, the rising prices for new issues, the time given to fund managers for investment consideration and the diligence of nominated advisers and brokers.

In the past month 35 companies have been admitted or announced their intention to join Aim, which caters for young and growing companies. This is more than double the monthly average during its first year of trading.

The rush to join Aim is rooted in several factors, not least the undoubted success of the junior market in establishing itself as a viable staging post between venture capitalists and the main list.

This in turn has drawn in a growing number of institutional investors. Aim has no trading qualifications for membership, with investment in many of the start-up stocks deemed to be very high risk. Yet prospective price-to-earnings ratios for a number of recent new issues are on a par with companies on the main market.

However, there are signs that while new issue investors are willing to pay such prices, those in the after-market are not so keen. Of the 14 issues

that came to Aim in June, nine are trading close to or below their placing price.

Strong institutional demand, a rush of companies and rising prices are reminiscent of the new issues market towards the end of 1994, when a small number of flotations went spectacularly wrong.

Could this happen on Aim? One respected, nominated adviser says some of the companies deemed unsuitable by his institution have later turned up on Aim under less demanding advisers.

Another nominated adviser says the pressure to reduce fees, and consequently the amount of scrutiny and due diligence on a prospective member, is a constant concern. "There is always someone

UK NEWS DIGEST

Union leaders to support Emu

Union leaders want the UK to join any future European economic and monetary union from the beginning, according to a new policy statement to be presented for endorsement to Britain's Trades Union Congress annual conference this autumn. "If Emu goes ahead with the required number of countries, the TUC general council believes the balance of advantage is in Britain joining," they say.

Mr John Monks, the TUC's general secretary, and senior colleagues are already holding private discussions with the Bank of England and the Confederation of British Industry to try to achieve a "national consensus" on the terms for membership. Mr Monks and his supporters are confident they will win backing even though they go much further than the Labour party in their support for Emu. Robert Taylor, London

ADVERTISING

Complaints upheld against Shell

Britain's Advertising Standards Authority has upheld three of seven complaints it received about advertisements taken out by Shell, the Anglo-Dutch oil group, in the wake of the execution last year of Ken Saro-Wiwa, the Nigerian human rights campaigner. The authority found that Shell had used selective quotes taken from a BBC TV interview in a misleading way. It had also failed to back up a claim that 60 per cent of oil spills in the Ogoniland region where Mr Saro-Wiwa lived were caused by sabotage. Shell should have replaced a claim suggesting contractors sent to clean up the polluted sites were denied access by the police. Robert Corzine, London

SERIOUS FRAUD

Investigator's caseload up 50%

The caseload of the UK's Serious Fraud Office rose by about 50 per cent last year following the British government's decision to expand its responsibilities and a marked increase in alleged frauds upon investors. According to the SFO's annual report, it is now investigating or prosecuting 77 cases compared with 50 in April 1995.

Much of the increased caseload has been caused by the government's decision to let the SFO take over some fraud investigations previously carried out by the police and the Crown Prosecution Service. John Mason, London

APPLIANCE MARKET

Candy plans £20m expansion

Hoover European Appliance, the UK domestic appliance group bought last year by Candy of Italy, is planning to invest about £20m (\$31.1m) by the end of next year on its two UK plants in a scheme sparked partly by Britain's relatively loose labour regulations. The cash marks a big step in bolstering the UK operations of Candy, a privately-owned group which is Europe's fourth biggest white-goods manufacturer.

Mr Peppino Fumagalli, Candy's president, said an important reason for the investment was the relative absence of "rules and regulations" governing the workplace, making UK workers highly adaptable and relatively easy to dismiss without large redundancy costs. Peter Marsh, London

BBC WORLD SERVICE

MPs protest at reorganisation

About 140 MPs have signed a cross-party House of Commons motion criticising a proposed reorganisation of the BBC World Service.

The motion calls on Sir Christopher Bland, the BBC chairman, and the Board of Governors to guarantee the distinctive nature of service programming. Raymond Spoddy, London

COMMERCIAL VEHICLES

Imports seize more of market

The UK's commercial vehicle industry is coming under increasing pressure from imports, vehicle registration figures for June show. Imports accounted for 47.2 per cent of total registrations in June compared with 42.7 per cent in the same month a year ago. Their share in the year's first half reached 45.1 per cent, compared with 44.4 per cent a year ago.

Growth in the UK's commercial vehicle market came to a virtual halt in the first half, leaving manufacturers in the heavy truck sector, in particular, increasingly worried about their prospects for 1996. John Griffiths, London

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ARTS GUIDE
INTERNATIONAL
AMSTERDAM
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Television/Clement Crisp

Lathered up over soap opera

I have, after a long and happy absence, returned to soap operas, and the experience is not recommended. It is rather like being trapped at an airport during what is called, in denial of truth, "industrial action". There are the same desperate people facing yet another set-back in life, teenagers looking sullen, tempers being lost, all located in a setting of unrelieved nastiness. Is it more like *EastEnders* or *Brookside*? With the addition of a sheep or two it might be *Emmerdale* (known *chez nous* as *Emmerdale Farm*, and given the occasional tortured wowl, it is uncannily like *Neighbours*. ("Mum, can we go hawmmer?")

What began as escapist drama on American radio in the 1930s to promote sales of soap has been turned by television into drama made of soap. The home-grown narratives that currently infest our screens are a miserable lot, their place in the weekly ratings more a tribute to addiction than merit. How glum they are, and how determinedly workaday. Real life is bad enough. This is *Real Life* in Spades, perhaps on the rationale that we may say "There but for the Grace of God..." I turned to that invaluable guide, *Inside Soap*, for insights into what holds the fans' attention. The top six soap-operas are, unsurprisingly, *Coronation Street* (which is beyond criticism: one might as well reproach Holy Writ for the behaviour of the prophets), *EastEnders*, *Emmerdale*, *The Bill*, *Neighbours* and *Home and Away*. (These last two are Australian and seem largely populated by lust-crazed and intellectually challenged teenagers: can *la vie* down Under really be so?) *Inside Soap* offers a convenient précis of plots which give the authentic whiff of the genre. "Jon is disappointed not to win the Stairwell of 'Time' competition", "Mossywhite, Dave's getting drunk and morose again", "Frank is ready to go after Brent, when Bridget reveals she thinks he raped Lucy", "Flakey the Clown now laces children".

These are rich seams of tosh, but what I have lately watched in the cause of grim duty was also fearfully grey. The attraction of soap opera is of a factitious tension, each episode ending on the horns of some unsuspected and unsuspecting dilemma, with characters larger (or at least more lurid) than life. Psychotic behaviour is the norm; insane jealousies, secrecy, an inability to explain any action are the *sine qua non*. (Just like a political party conference.) The madder, the richer, the more preposterous the better, is surely the rule for *haute école* soap, with action placed in interiors where vast expense is outdone by even vaster lack of taste. The settings in *Neighbours* come from the Build Your Own Hovel Book, the characters, apart from their rampant hormones, have no other existence.

So a welcome - in as much as another soap-opera can be said to be welcome: it is rather like rejoicing at finding a wasp's nest in the attic - for *Savannah*. This is an American soap in the *Dynasty* tradition: it comes from the same producer, Aaron Spelling. Whatever else it may lack, and that list would be like naming the world's fish, it has gloss. Its first three episodes were richly bedecked with chic, lust, double-dealing, bastards (both actual and metaphorical), a virgin bride, a river-boat wargear lost at cards, a wedding threatened with annulment within 24 hours, murder, copulation in a shower, theft of funds, the loss of a corpse, horse-coping, obscene videos, and dialogue of the "she's beautiful, rich, and marrying the handsome straight guy in Savannah" type. Interiors were triumphs of non-taste, and female characters have such fetching names as Lane, Peyton and Reese. (These may be gender-coded for American viewers, but I would not care to hazard whether the baby at the foot was male or female when the name was given.)



A rich seam of tosh: in 'Savannah' lust, double-dealing, murder and chicanery provide the supreme escapist drama you wish supremely to escape from

It is supreme escapist drama: it is, after a time, the sort of drama you wish supremely to escape from. But it has a life-force, a neurotic drive towards keeping us on our anticipatory toes, that commands respect. Personalities are in constant shift, as well as constant shiftiness: you should not suppose that Peyton is as vile as she seems, nor that anyone can be as dull as Reese (who has "saved herself" for

the marriage bed). To old *Dynasty*/*Dallas* hands, this is proof of true soapiness: all is illusion, from behaviour to plot-line. Dramatic skill on the part of the players is less necessary than the ability to smoulder, strip well (lying in bed for a chap is merely another excuse to display the pectorals) and utter dialogue without breaking into peals of merry laughter. With *Savannah*, soap opera is its own

ludicrous but highly-polished self. And it beats Wimbledon - just - for rampant temperament and erotic grunting. And as a note in passing, may I commend *Cybill*, Channel Four's Friday night *bonne-bouche*, to anyone who does not yet know it. The titular *Cybill* Shepherd, and her side-kick Christine Baranski, are adorable drols, and the script is literate.

Theatre

Wandering lonely as a cloud

A pure performance can lift our hearts, inspire our imaginations. Kelly Hunter has such clarity of vision, is so attuned to the vibrant simplicity of Dorothy's journals, that you feel spiritually refreshed.

Written by Hunter, *Exquisite Sister* is a fine tribute to a noble woman, and a natural writer. Dorothy Wordsworth is more than a footnote in English literature. She has her own sensibility, unaided by poetic sophistication, rejecting in nature striving to make perfect what Art had deformed. She devoted her life to her brother. When he eventually found fame as a poet, she succumbed to senility. Hunter, with her nervous energy, captures that true, brittle intensity of tragic self-sacrifice.

The youthful 1788 Alfoxden Journals articulate a joyful life in Somerset's Quantocks. Bliss was it at dawn to be alive, scrambling up coombes, through the woods, delighting in the crowds of sunbeams, adoring the majesty of "moonshine like herring in the water". Hunter's Dorothy darts like a fish, gasping for air, breathless with excitement.

There is the frequent tangle: "Met Coleridge" - though it seems more innocent than the erotic charge of, say, Byron, Shelley, and Mary's Romanticism (Dorothy would feel at ease in an Austen novel or on a Constable canvas). She and her brother moved back to Cumberland - with a zest for living, recorded in the *Grasmere Journals* (from 1799

onwards). However, she is soon troubled by headaches and toothache, early intimations of dementia. William marries her childhood friend, Mary Hutchinson, and Dorothy records with uncharacteristic, pained detachment, "I will consider myself as boarding through my whole life with an indifferent person".

Dorothy now has less appetite for the immediacy of experience, and recollects past happiness, or laments its loss. "Stupefaction" numbs her thoughts. She mourns her brother John, who went down with his ship. Mature reflection completes a sensitively dramatised evening of private eloquence shaped for the public stage. Simon Liber directs with acuity. Anthony Lambie has invented a playroom for Dorothy's imagination: miniature hills dotted with tiny sheep, light-houses, flower-beds, stage-coaches. Paul Russell's lighting is magnificently golden on summer evenings, cool and crisp on winter mornings. The production can be overbearing, especially as it is punctuated with synthetic music. It will no doubt trust totally in the words and performance by the time it plays Edinburgh in August.

Simon Reade

Exquisite Sister is at the Courtyard Theatre, West Yorkshire Playhouse until July 20 (0113 244211).

Bringing out the devil in Randy

Compilation musicals normally stick to legends (the dead guys) from the mainstream: Louis Jordan, Elvis, even Billy Fury. It is a real curiosity to see a show based on the work of such a sardonic, acerbic songwriter as Randy Newman, still more one which features the clean-cut Belinda Lang. Whatever next, one wonders: Zoe Wanamaker sings London, Watnwright IIT Felicity Kendal as *Dusty Springfield* in *The Pet Shop Boys Story*? (Better not give Bill Kenwright any ideas...)

In some respects, Newman's songs work rather better in a stage context than on record. Putting his usually twisted sentiments into the mouths of obvious characters gets rid of the problem which has dogged him throughout his career: that of people missing the irony and believing that he means what he sings. Here, then, in *Roll With the Fences: The Songs of Randy Newman*, "Sail Away" - a song depicting America as the land of opportunity for slaves - is sung by Paul J. Medford with discreet incredulity as a venomous rebuttal of the earlier "Follow the Flag"; and "Short People" is a plainly ludicrous attempt to fasten on a convenient hate group. (The show's printed set-list even includes the scabrous "Rednecks" but the team evidently felt that this was rather too much to get away with.)

Whilst the songs take up 99 per cent of the *parade* burden (seldom if ever are more than three lines spoken between numbers), the story itself is thin and sometimes contrived. As the boy-meets-girl, boy-loses-girl curve progresses, for instance, an identical twin to the godly Marie is introduced solely to

facilitate a clutch of cynical female-voice numbers. On the other hand, it is a delicious move to deck Medford out in fringing red horns and tail to deliver infernal ripostes to Marie's songs of devotion. Medford's performance is the greatest success of the 85-minute show; he has a wonderful voice and elevates bar-owner Mikey from a mere observer into a character in his own right. George Costigan, as Randy, is less certain, veering from more or less straight agony to buffoonery; his upper register has the hoarse sincerity of a Jimmy Nail, with the weaknesses as well as the strengths of such a voice.

Belinda Lang seems oddly under-energised throughout, whether as Marie or her twin, betraying a possible lack of direction from Chris Bond. Costigan and Lang performed their first Newman assemblage nine years ago at Stratford East: it died the death. They obviously believe in his song-writing talents, and rightly so, but something, somewhere, is missing from *Roll with the Fences*. I would hate to think that the bill of fare is too rich for musical theatre, but the whole remains maddeningly less than the sum of its parts. Still, even such a "nearly" show proves that Randy Newman has much, much more to offer than (the thankfully excluded) "Simon Smith and his Amazing Dancing Bear".

Ian Shuttleworth

At the Tricycle Theatre, London NW6, until August 10 (0171-328-1000).

Opera/David Murray

A 'Traviata' to die for

For the current instalment of his Verdi festival, the Royal Opera has revived Richard Eyre's handsome staging of *La Traviata*, complete with Angela Gheorghiu's Violetta again. As if that were not enough (which it could almost have been), she was joined this time by her young husband Roberto Alagna as Alfredo: and as if that were not enough, we had Thomas Allen making his debut as father Germont.

The plight of the homeless who frequent Covent Garden seemed nothing compared to the really desperate plight of the opera-lovers who had failed to get tickets. It is a long time since one saw so many frantic people offering practically anything for returns. And was this *Traviata* worth it? Well, yes; but it will be better later, when its excellent parts have begun to gel properly. Simone Young conducted the speediest *Traviata* I can remember,

in rhythms that acquired subtlety and spring only when she occasionally relented. The overall result was a touch prosaic, with uneasy rapport between stage and pit. Gheorghiu was undeterred: the extraordinary finesse of her singing, its marvellous range of delicate tints and her beautiful, fragile stage presence were proof against anything.

So far, however, the voice has not acquired the weight and depth to wring our hearts in the last act, and make us forget that we are watching an immensely clever, cultivated performance. (I admit that I was marked for life by the Callas *Violetta*, and of course any comparison would be grossly unfair.)

Alagna's Alfredo is quite different. He was in fine, forthright voice, usually at *forte*; there was little in the way of varied colours or shading, but he triumphed over the hazards of his Act 2 music - elegant

and sweet-toned in every phrase, however difficult. He even acted a bit, quite creditably, though never suggesting anything so uncouth as raw despair or heartbroken fury.

For dramatic penetration, it was Allen's Germont who offered most. Certainly his once-dominating baritone has lost its fullness, but who would complain, when he projected so much concerned feeling and wary dignity, and with such noble musicianship? Germont *père* the cur centre of the opera, and he did that superbly.

A special word for Leah-Marian Jones as Flora, too, who made a striking cameo of her rather ungrateful role; indeed, all the negligible roles were admirably taken. A good and rewarding evening. If not a great one, one did feel sorry for those who failed to get in.

Further performances to July 19, some with other principals.



Roberto Alagna and Angela Gheorghiu as the young lovers

INTERNATIONAL
ARTS GUIDE

- AMSTERDAM**
DANCE
Het Muziektheater
Tel: 31-20-551817
● Het Nationale Ballet perform Balanchine's *The Four Temperaments* to music by Hindemith, *The Prodigal Son* to music by Prokofiev and *Symphony in C* to music by Bizet. Part of the Balanchine Summer Festival; 8.15pm; Jul 11
EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
● August Sander: the work of German photographer August Sander (1876-1964), including photographs for his life-work, *Menschen des 20. Jahrhunderts* (People of the 20th Century); from Jul 13 to Sep 1
- BERLIN**
EXHIBITION
Kupferstichkabinett
Tel: 49-30-26629568
● Im Konext der Sammlung: recent additions to the museum's

- collection, including works by Picasso, Lechner, Flavin, Oppenheim and Boltanski; to Sep 29
- CARDIFF**
CONCERT
St Davids Hall
Tel: 44-1222-878444
● Royal Philharmonic Orchestra: with pianist Peter Donohoe perform Dvorak's *Carnival Overture*, Tchaikovsky's *Piano Concerto No.1* and Sibelius' *Symphony No.2*. Opening concert of the tenth edition of the Welsh Proms; 7.30pm; Jul 11
- CHICAGO**
EXHIBITION
Art Institute of Chicago
Tel: 1-312-4433600
● Illustrations by James Ransome and John Steptoe: Works by the African-American artists; to Sep 2
- DUBLIN**
CONCERT
National Concert Hall - Geoltras Naiskinta Tel: 353-1-6711898
● Fergus O'Carroll, Alan Smaile and Hugh Tinney: the hornist, violinist and pianist in works by Paganini and Brahms; 1.05pm; Jul 12
- HAMBURG**
EXHIBITION
Museum für Kunst und Gewerbe
Tel: 49-40-24862782
● Alfred Steffen - Portraits: exhibition of portrait photographs by Alfred Steffen. Many national and international celebrities, including actors, musicians, directors, authors and politicians, have posed for the

- Hamburg-based photographer in the past ten years; to Jul 14
- LONDON**
CONCERT
Barbican Hall Tel: 44-171-6384141
● London Symphony Orchestra: with conductor Kent Nagano perform works by MacMillan and Mahler; 7.30pm; Jul 11
EXHIBITION
Royal Opera House - Covent Garden Tel: 44-171-2128234
● *La Traviata*: by Verdi. Conducted by Simone Young and performed by the Royal Opera. Soloists include Angela Gheorghiu, Beth Michael, Roberto Alagna and Robin Leggett. Part of the Verdi Festival '96; 7pm; Jul 11
THEATRE
Barbican Theatre
Tel: 44-171-6384141
● Julius Caesar: by Shakespeare. Directed by Peter Hall and performed by the Royal Shakespeare Company. The cast includes Christopher Benjamin; 7.15pm; Jul 10, 11 (also 2pm)
● *The Painter of Dishonour*: by Calderon. In a new version by Boswell and Johnston. Directed by Laurence Boswell and performed by the Royal Shakespeare Company; 7.15pm; Jul 10, 11 (also 2pm)
- LOS ANGELES**
CONCERT
Hollywood Bowl
Tel: 1-213-850-2000
● Requiem: by Verdi. Performed by the Los Angeles Philharmonic with conductor John Neschling and the Los Angeles Master Chorus. Soloists

- include soprano Kallen Esperian, mezzo-soprano Florence Quivar, tenor Michael Sylvester and bass James Morris; 8.30pm; Jul 11
- MUNICH**
DANCE
Nationaltheater
Tel: 49-89-21851920
● *The Sleeping Beauty*: a choreography by Peter Wright after Petipa to music by Tchaikovsky, performed by the Bayerisches Staatsballett München; 7.30pm; Jul 12
EXHIBITION
Haus der Kunst Tel: 49-89-211270
● Umbo - Vom Bauhaus zum Bildjournalismus: retrospective exhibition devoted to the work of photographer Otto Umboh, also known as Umbo; to Jul 28
- NEW YORK**
CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● Claude Franck: the pianist performs Mozart's *Fantasy in C minor*, K475, and *Sonata in C major*, K330. Part of the Mostly Mozart Festival; 8pm; Jul 11
EXHIBITION
Guggenheim Museum SoHo
Tel: 1-212-423-3840
● Metascape: the museum reopens with an exhibition devoted to multimedia and interactive art. Artists include Marie-Jo Lafontaine, Bruce Nauman, Nam June Paik and Bill Viola; to Sep 15
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● American Printmaking 1880-1900: Winslow Homer and His

- Contemporaries: an exhibition to complement the Homer painting retrospective by providing a context for the artist's printmaking efforts; to Sep 2
- PARIS**
EXHIBITION
Centre Georges Pompidou
Tel: 33-1-44 78 12 33
● North Sea Jazz Festival: this exhibition shows installations of the Irish artist, and is a part of the cycle, "L'Imaginaire irlandais" that takes place in Paris from May to September; to Nov 16
- STOCKHOLM**
EXHIBITION
Nationalmuseum Tel: 46-8-6664250
● Romanticism and Realism: exhibition of Swedish art from the first half of the 19th century, as part of the Swedish Festival which this year centres around the singer Jenny Lind (1820-1857); to Sep 8
- SYDNEY**
EXHIBITION
The Powerhouse Museum
Tel: 61-2-2170111
● Treasures from the Kremlin: the world of Fabergé: five of the remaining Fabergé Easter Eggs designed and created by the Russian jeweller Peter Carl Fabergé are among exhibits come from the collection of the Armoury Museum Fabergé at The Kremlin; to Sep 20
EXHIBITION
Opera Theatre, Opera Theatre, Playhouse
Tel: 61-2-250-7127
● *Il Traviatore*: by Verdi. Conducted

- by Richard Gill and performed by the Australian Opera. Soloists include Elizabeth Campbell, Edmund Barnham and Michael Lewis; 7.30pm; Jul 11
- THE HAGUE**
JAZZ & BLUES
Nederlands Congreessgebouw
Tel: 31-70-3502038
● North Sea Jazz Festival: highlights of the festival programme include performances by Chick Corea & Friends, Dianne Reeves, George Benson and Santana; Jul 12
- WASHINGTON**
EXHIBITION
National Gallery of Art
Tel: 1-202-7374215
● Scenes of Daily Life: Genre Prints from the Housebook Master to Rembrandt van Rijn: 89 prints, six illustrated books and one copper plate depicting scenes of everyday life in Germany and the Netherlands from the late 15th to the late 17th century. These images were the predecessors of the genre prints so popular in the Netherlands in the 17th century. The selection includes illustrated books and prints in various techniques. Artists include Israel van Meckenom, the Master of the Housebook, Lucas van Leyden, Albrecht Dürer, Hendrick Goltzius, Rembrandt van Rijn and Adriaan van Ostade; to Aug 18

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CNBC:
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Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

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COMMENT & ANALYSIS

Edward Mortimer

On the middle path

Both the west and the radical Middle East should listen to the reasonable voice of Islam coming from south-east Asia



I first met Anwar Ibrahim in 1980 on a campus in New Hampshire. It was soon after the Islamic revolution in Iran...

was detained without trial in the 1970s. It is still on the state book. Corruption, in the words of Dr Mahathir, "is still very much in evidence, even if "not to the extent made out by foreign critics".

there is vigorous competition between different factions. The policy of favouring indigenous ("bumiputra") entrepreneurs is increasingly criticised as a pretext for cronyism and state intervention...

most universal cause of corruption of our moral sentiments. This view apparently is not shared by some of his government colleagues, who cite local billionaires as "role models" for the Malay population.

The Moslem leaders present included some pretty unpromising figures, such as Hassan Turabi, who has since become the guiding ideology of the gruesome military dictatorship in Sudan...

But he continues to get the benefit of the doubt. Whatever Dr Mahathir's faults or idiosyncracies, Malaysia under his rule has been an amazing economic success story...

All this helps explain the rapt attention with which members of the UK establishment listened to Mr Anwar when he spoke in London last week.

But he also commands attention as a spokesman for Islam who is not afraid to equate Islamic concepts with those of other traditions. He speaks of "the middle path - the Islamic *wasat*...

But as soon as he was opened his mouth he was clearly quite different. Not that he was less sincere. If anything he conveyed a stronger sense of personal commitment and honesty than the older and angrier leaders present.

The government espouses "Asian values" of personal decorum, family duty and national consensus, and carefully scrutinises imported newspapers before distribution...

It is very important for the west to hear such a Moslem voice at this moment in history, when seven voices are urging us to believe in an impending "clash of civilisations"...

It might remind them that Islam was strongest, both as power and as civilisation, in the Abbasid period (corresponding to western Europe's "dark ages") when Moslem scholars eagerly read and translated Greek philosophers and scientists...

I suppose by then his transformation from student radical to suave and charming pillar of the establishment (today he is finance minister, deputy and heir-apparent to Mahathir Mohamed, the prime minister) was already well advanced.

Two faces of Islam: Hassan Turabi (left) and Anwar Ibrahim



Two faces of Islam: Hassan Turabi (left) and Anwar Ibrahim

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9SU

Airline pilots need much more than flying skills

From Mr Tristram C. Llewellyn Jones

Sir, I am an airline pilot presently operating Boeing 787 long haul airliners for a national airline. I am (July 8) makes several false assumptions concerning the role of the airline pilot which, to assist the judgement of your readers, need to be corrected.

transportation system. The difference these days is the high level of mental agility required in a two-pilot computerised environment. My colleague and I recently had to handle a diversion from Chicago to Detroit after a ten-hour flight across the Atlantic.

want to be there. There are many who aspire to be airline pilots but those who succeed have convinced everyone of their ability always to make safe decisions under pressure of time.

clever, wealthy, company like British Airways should be able to resolve this dispute before the country is damaged. Please don't belittle our profession. We do not perceive the job as glamorous and if we fall in our duties people may die.

Mr Tristram C. Llewellyn Jones, 56 Carlton Mansions, Randolph Avenue, Maida Vale, London W9 1NR, UK

Take risk on innovation

From Mr Jack Savidge

Sir: Your July 3 article, "Japan to throw money at research", and Mr Christopher Hill's remarks (Letters, July 5), leave out the most important research-to-commercialisation player - the innovator.

During a discussion about pension funds, I asked whether the visitors thought it right that the views of individuals and their trade union representatives were ignored by the managers of pension funds they had contributed to during their working life.

Miss Judith Mayhew (deputy chair of the corporation's policy and resources committee) said: "I do agree with you that the input of investors is very important, just as the input of shareholders in companies is very important."

Consensus, I believe, is the word. Needless to say I was pleasantly surprised. After all, this is a clearer and firmer commitment to the stakeholding principle than anything offered by Labour's newly published Road to the Mountains - albeit from an unexpected source.

Alex Falconer, European Parliament, Rue Belliard 97-113, B-1040 Brussels, Belgium

Moscow keeps control in hotels upgrade

From Mr John Inge

Sir: Further to your article "Moscow plans the sale of 300 city hotels" (July 8), I am writing to clarify points in it which have caused anxiety in the Moscow Hotel Company.

ownership will therefore remain in the hands of the Moscow Hotel Company. Any reorganisation will therefore take place in conjunction with the objectives of Moscow to provide investment opportunities for Russian and overseas investors and to improve its hotel accommodation, while retaining control of its assets.

individually and there would be a variety of methods used for raising additional finance from the hotel sector. It is likely that it could be easier to buy control in the smaller and poorer quality hotels since a buyer would be committed to conduct expensive renovations.

John Inge, Knight Frank, 28 Hanover Square, London W1R 0AH, UK

Jack Savidge, managing director, TekLynk, The Center, Ballinlough Road, Cork, Ireland

The world at their feet

Airlines are finding that the power of pilots can undermine plans for cuts, says Michael Skapinker

The problem with airline pilots is that they live in a world of their own, one aviation executive said yesterday.

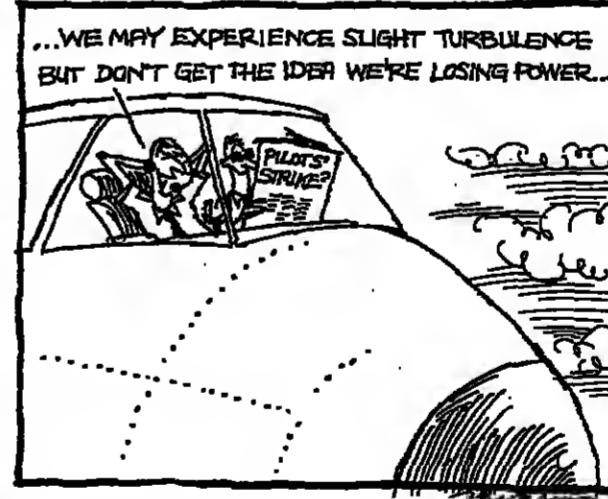
They do not understand the ferociously competitive market in which their companies operate he said. While other airline employees have seen their pay limited and their jobs cut, pilots have continued earning grossly inflated salaries.

These observations were offered on one condition: on no account was the executive's name to be mentioned. Airline managers might criticise pilots, but they do so anonymously. Pilots' unions around the world have frequently demonstrated their ability to undermine chairmen, chief executives and shatter the idea that unions are in inextinguishable decline.

This is why the threat by British Airways pilots to go on strike has other carriers riveted. Unlike other airlines which have suffered pilots' strikes, such as Iberia of Spain and Air France, BA is not a financially harassed state-subsidised carrier.

Mr Robert Ayling, BA's chief executive, said yesterday that a strike would result in cancellation of aircraft purchases and a freeze on recruitment. Yet BA and the British Airline Pilots' Association are still talking, both hoping to avoid a strike.

While other airlines hope that BA will take on its pilots and defeat them, they suspect the airline would prefer to find a compromise. "You take on the pilots at your peril," a manager with one US airline says. "There's no question that



they are a powerful group." If there is a strike by other airlines employees, such as check-in staff or baggage handlers, managers can often do their jobs. They cannot fly the aircraft. Nor can they replace pilots easily. Few in the industry take seriously BA's hint that it will employ foreign pilots. It would take too long to organise, they say.

Airline executives argue, however, that time is not on the pilots' side. While it takes up to two years to train a pilot, there is no shortage of applicants. BA has more than 3,000 applicants, some already trained, on its books. So many people want to be pilots that BA sees no need to pay its trainees more than 25 a week plus free board and lodging. If BA takes them on permanently, they have to pay back a quarter of the 275,000 it costs to train them. Lufthansa of Germany goes further, making its trainees pay the full cost of their DM140,000 (259,072) two-year training. Once they join these airlines' staff, however, the pilots start earning the kind of salaries which make this sort of outlay worthwhile. BA pilots start on

221,000 a year. Lufthansa pays its new pilots DM72,800 a year. Lufthansa will not reveal the average pay of its flight crew but BA says its pilots average 274,000 a year.

While the number of people wanting to become pilots is increasing, the job of flying is becoming less onerous. Sophisticated computers do much of the work previously done by pilots. Mr Pierre Jeannot, director-general of the International Air Transport Association, which represents airlines worldwide, said last year that he was worried that technical improvements meant pilots had too little to do during flights and that their awareness of potential danger was falling. Mr David Beatty, an aviation writer and former pilot with BOAC, one of BA's predecessor companies, says: "When I started flying the Atlantic after the war, we were explorers. The accident rate was 10 times what it is today. We knew very little about ice or winds or the aircraft we flew in. We regularly used to lose engines. Today, the chances of losing an engine are far less, although it obviously does hap-

pen. The dangers are still there but nowhere near the degree that we were used to. The work is considerably duller than the work we did."

Mr Beatty bears no resentment towards today's pilots, however. "They are far more highly trained than we were. We had nothing like simulators." Nor does he accept that the modern pilot's job is an easy one. For one thing, they fly many more people in an aircraft. "They bear enormous responsibility. Being responsible for hundreds of people is an enormous undertaking. Think of the idea of going down in history as someone who killed 300 people."

Some airline executives go along with this view. "The pilots are a highly educated, highly responsible group. And the glamorous side of their job is very overplayed. Being away from your family for days at a time is not great," says one. The difficulty for pilots is that even the most successful airlines say they still need to cut costs. Deregulation in the US and Europe has encouraged low-cost, non-union airlines to compete with the large carriers. The long-term trend of airline fares is downwards.

BA says it will have to find slim savings over the next three years to maintain its competitiveness. Lufthansa is looking for DM1bn in savings over five years.

Airlines will want pilots to bear their share of the pain. The question will be which carrier has the muscle to make them do so. Executives say that if it is not one of the wealthy ones, perhaps it will be one of the desperate ones. If the BA dispute is settled, attention will turn to Mr Christian Blanc, chairman of Air France. Mr Blanc's plan to merge Air France with Air France Europe, its domestic partner, has resulted in strikes. Other airlines, and pilots, will watch Mr Blanc closely. However tough he plans to be, they know that his predecessor, Mr Bernard Attali, was forced out of office in 1993 by employee strikes. Whatever the cost pressures on pilots, they still have the ability to ground airlines.

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FINANCIAL TIMES

Wednesday July 10 1996

SENIOR FLEXONICS A world leader in flexible connectors

Major in appeal to Protestants for restraint Ministers fear growth of violence in Ulster

By John Kampfer in London and John Murray Brown in Belfast

Loyalist leaders warned last night that Northern Ireland was heading for further violence unless the security forces backed off in their confrontation with Protestant marchers.

After a one-hour meeting with Mr John Major, the UK prime minister, at Westminster, leaders of the three main unionist parties refused to condemn wildcat actions by demonstrators, which have included the burning of Roman Catholic homes and the blocking of main streets.

UK ministers fear an escalation could prompt leaders of Protestant paramilitaries to follow the IRA in ending their ceasefire.

Mr Major told parliament that the escalation, which has put Northern Ireland on the verge of all-out conflict for the first time in two years, was "intolerable".

But his appeal for restraint appeared to fall on deaf ears. The Rev Ian Paisley of the Democratic Unionists said Mr Major was wrong to support the decision of the Royal Ulster Constabulary to deny permission to the Protestant Orange Order to march past a mainly Catholic

area in the village of Drumcree. Mr Paisley said Protestants would converge on Drumcree for the annual march on July 12, which marks the anniversary of the defeat of the Catholic King James II by William of Orange at the Battle of the Boyne in 1690. Mr Paisley described the situation as a "powder keg".

Mr David Trimble of the Ulster Unionists, who has been at the heart of the stand-off between Orangemen and the RUC, said he was prepared to meet church leaders, including Catholics, to try to resolve the crisis.

But he said: "The problem has been caused by the threats of Sinn Féin/IRA and because the Chief Constable and the government have surrendered to those threats. People are now saying 'enough is enough'."

Unionists said earlier they would not take part in all-party talks in Belfast until the RUC had backed off. The first flashpoints last night between police and demonstrators were at Richhill in County Armagh. RUC officers tried to move hijacked lorries blocking a road, firing plastic bullets when

they came under attack from around 100 demonstrators. More Orange parades were staged in north Belfast - the site of serious disturbances on Monday - and in Downpatrick, a largely Catholic town. Many roads in Belfast were closed and the university town of Coleraine, Co Londonderry, was closed off. Some businesses closed early so workers could get home before barricades went up.

As some tourists began to leave Northern Ireland, Baroness Denton, the economy minister, said the violence would hinder efforts to encourage investment.

"We will never know how many companies who had put us on their lists will now not even pick up the phone," she said.

Church leaders urged calm. Church of Ireland archbishop Robert Eames said: "We have to resist anything that will bring this province to its knees."

Sir Patrick Mayhew, Northern Ireland secretary, rejected unionist claims that the police action had been intended as a concession to nationalists. "That decision was taken constitutionally by the Chief Constable in the execution of his constitutional duty. There was no pressure from government," he said.

Insurers seek curbs on pollution as weather claims rise

By Ralph Atkins in London

A group of the world's insurance companies yesterday stepped up pressure for tougher international curbs on environmentally damaging emissions by calling for "early and substantial" reductions in greenhouse gases.

The insurance industry call came as government ministers met at a United Nations conference in Geneva to continue negotiations over controlling the level of emissions from 2000.

It reflected mounting concern by insurance companies that climate change is leading to an increasing number of severe weather incidents such as hurricanes or flooding - in turn boosting insurance policy claims.

However, the insurers did not specify target reductions. Mr Andrew Dingolecki, assistant general manager of UK-based General Accident, said: "Nobody can yet say what targets are necessary or feasible."

Mr Dingolecki also acknowledged that many insurers were continuing to cut the cost of property insurance in response to fierce competition, although rates in high-risk areas have been slower to fall. "Unfortunately, the market sometimes takes a short-term view," he said.

Insurers have sought to increase their influence in the environmental debate partly in response to the failure of many countries to honour a pledge made by the industrialised world at the Rio Earth summit four years ago.

This set the target of stabilising emissions at 1990 levels by the end of the decade.

The insurers also want to counter arguments by the energy and transport industries that the cost of cutting emissions would be more than losses caused by rising temperatures.

Yesterday's call was made by the steering committee of the UN environment programme insurance initiative which includes representatives of General Accident, Germany's Gerling-Konzern, Global Reinsurance, Swiss Reinsurance, Uni Storastrand of Norway, and Sumitomo Marine & Fire Insurance of Japan.

The initiative has 57 signatories committed to the "precautionary principle" - the idea that scientific uncertainty and the need for further research should not be an excuse for avoiding early action.

THE LEX COLUMN Judging Germany

The German stock market has been one of Europe's best performers this year, it has risen by almost 14 per cent and stands within a whisker of its all-time high. Nonetheless, the second half of the year is likely to be duller. While the German economy has undoubtedly started to recover, growth of less than 1 per cent this year, followed by perhaps 2 per cent in 1997, is hardly inspiring. High unemployment will continue to restrain consumer spending. And, unlike Japan, there is no chance of a fiscal stimulus, as the government cuts spending to meet the Maastricht criteria. Meanwhile, the Bundesbank's scope for reducing rates further is coming to an end.

Against that short-term background, German shares look expensive. The market is trading on 19 times earnings for 1996, falling to 15 times next year. That compares unfavourably with a historic range of 12-17 times and with earnings growth of around 15 per cent in each of the next two years - excluding the distorting effect of Daimler-Benz swinging back into profits.

But the longer-term outlook is much more promising. There is huge potential to improve corporate profitability through restructuring. The outperformance of companies such as Vebe, Hoechst and Volkswagen which have exposed shareholder value will tempt others to follow. Disclosure is improving as companies switch to international accounting. And Germany is still the safe way to gain exposure to eastern Europe. With these prospects, investors should hold on through any short-term disappointments.



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Plans. Meanwhile, Canal Plus's home base still looks fairly secure, despite CLT's plans to set up a rival service.

But the main reason for being fairly sanguine about Canal Plus is that its shares are still relatively cheap. Looked at on a conventional price/earnings basis - Canal Plus trades on about 38 times this year's earnings - they may not seem so. But given the fast growth of pay-TV, p/e ratios are not terribly meaningful. Look instead at Canal Plus's enterprise value (market capitalisation minus cash). At \$4.5bn, it is only a third of BSKYB's despite the fact that it has more customers than the British company. Granted, BSKYB is more dynamic, growing faster and better-positioned in Germany; still, a ratio of three to one seems too large.

Canal Plus

The recent shifting of European pay-television alliances is bad news for Canal Plus. Earlier this year, the French pay-TV group looked well-positioned as a result of its venture with Mr Rupert Murdoch's BSKYB and Bertelsmann. But that alliance has disintegrated; BSKYB has teamed up with Germany's Kirch Gruppe while Bertelsmann has merged its TV interests with CLT of Luxembourg, which has ambitions to attack Canal Plus's core French market. The net effect is that Canal Plus is without a partner in German digital pay-TV and faces the prospect of greater competition at home.

Nevertheless, investors should not take too gloomy a view. For a start, Canal Plus may yet secure a slice of the German market, as Kirch and BSKYB may be prepared to offer it a small stake in its venture if that further undermines Bertelsmann's

Endesa

How do you sell a stake in a company when you are about to rewrite its competitive regime from scratch? That is the problem facing the Spanish government, which rightly wants more competition in the electricity market - but also wants to cut its stake in Endesa, Spain's giant power group. Fortunately, it may have a neat solution to hand: sell a chunk of shares not to the market but to the company itself. That way, there would be no need for an offering heavily discounted by regulatory uncertainty.

It is an ingenious wheeze, but should minority shareholders be wary? With many investors already rattled by crude political interference in other party-privatised Spanish companies, they may take some convincing. After all, the government could easily exploit its control of Endesa unfairly, by fixing the buy-back price too high. To avoid this charge,

the company should opt for the fair solution: make any buy-back available to all shareholders at the same price. Assuming it does, a buy-back should suit existing shareholders' interests nicely. It would depress the share price less than an offering, while helping reshape the company's absurd capital structure. At more than five times, Endesa's interest cover is already high. And despite ambitious investment plans, the company is generating funds so fast it could have net cash by the end of the decade. For a utility, this is a nonsense. If anything, since Spanish law restricts companies to cancelling 5 per cent of their shares at one time, shareholders should press Endesa to do not one buy-back but several.

Docks de France

Distress flares from besieged French supermarket group Docks de France have been spotted in Britain, where the leading food retailers are sensibly running slide rules over the company. After all, Docks is one of just three opportunities - Casino and Carrefour being the others - of buying a meaningful slice of the French market. British distribution skills and experience with own label brands offer potential for enhanced profits, while increased group sales should mean bigger discounts from suppliers. And for Tesco, there is the additional attraction of rebuilding its poorly performing investment in Cateau.

Nonetheless, they would be foolish to bet £2.5bn (\$3.9bn) on Docks. Anchan has already fired off a FPr17bn (\$3.2bn) offer for Docks. And not only is Anchan private, so it has no fund managers to keep happy, but it could reap significant cost savings from merging with Docks. Its initial offer may have been rebuffed, but it can get away with paying much more.

At a price of £2.5bn, Docks would be valued at 30 times current year earnings, compared with ratings of close to 13 for UK food retailers. Accounting differences explain part of that gulf, but after stripping out interest, tax and depreciation, Docks is still much more expensive than its British counterparts - and it is already well managed. Any rights issues to fund the takeover would considerably dilute earnings per share and there would be a £2bn goodwill write-off upon acquisition. The record of UK retailers outside the UK has been dismal and it is hard to see how the takeover of Docks would reverse that trend.

Additional Lex comment on UK economy, Page 18

Tokyo promises new effort to promote deregulation

By William Dawkins in Tokyo

Japan's Economic Planning Agency said yesterday it will issue a new set of economic deregulation measures on Friday in an attempt to support the country's economic recovery.

Mr Shusei Tanaka, EPA director general, said it was vital to "make further efforts" to promote structural reform in the economy to ensure the recovery had a chance to develop.

But economists said his proposals stood little chance of making progress. The measures, which will be presented to the next cabinet meeting, cover six sectors: computers and telecommunications; distribution; finance; housing and property development; employment; and medical care and welfare.

Unlike previous deregulation efforts, usually the result of a cautious consensus between sev-

eral government ministries, this one is the personal work of Mr Tanaka, a member of the New Heisei party, which supports economic reform.

However, the NHP is the smallest member of the three-party government coalition which is dominated by the conservative Liberal Democratic party. The LDP has reservations about deregulation because its traditional supporters, small retailers and farmers, are opposed to it.

For that reason, economists in Tokyo believe Mr Tanaka's scheme will make little headway. "Deregulation has been a lost issue ever since the LDP returned to power [in June 1994]. This plan might look good on paper, but it will be impossible to implement, even if the government really wanted to," said Mr Ron Bevaqua, economist at Merrill Lynch in Tokyo.

The announcement of the plans coincided with the EPA's latest monthly report, which indicates that personal consumption and private sector capital spending are recovering but that industrial output is as yet barely growing.

"The economy is continuing to recover as seen in the increasingly bullish tone in private sector demand, but the tempo of the recovery is gradual for now," said the report.

An EPA official characterised this as "half a step forward". The EPA forecasts a 0.3 per cent rise in industrial output in the second quarter of this year, a slight slowdown from the 0.4 per cent rise in the three months to March.

Separately, the agency reported that Japanese companies spent 5.6 per cent less on machinery in May than in the previous month, but 18.5 per cent more than in May last year.

payments would be guaranteed by all clearing house members.

Its backers expect the clearing house to allow the offsetting of transactions at the end of every trading day, lowering administrative costs for investment banks

in the increasingly competitive market.

The reduction of "counterparty" risk and administrative costs together with the increasingly broad investor interest in emerging markets are expected to generate a further increase in trading volumes.

Jacobs' chocolate deal

Continued from Page 1

Société Centrale d'investissement, which holds 51 per cent of SCL, is a French holding company with investments in a wide range of activities, including foodstuffs, property and banking. However, the company said yes-

terday Cacao Barry was its most valuable participation.

In 1995, Barry made net profits of FFr121m on turnover of FFr3.6bn. It is an integrated producer whose main operations are in the Ivory Coast and the Cameroons. It has a presence in all main consumer countries.

Banks' debt market plan

Continued from Page 1

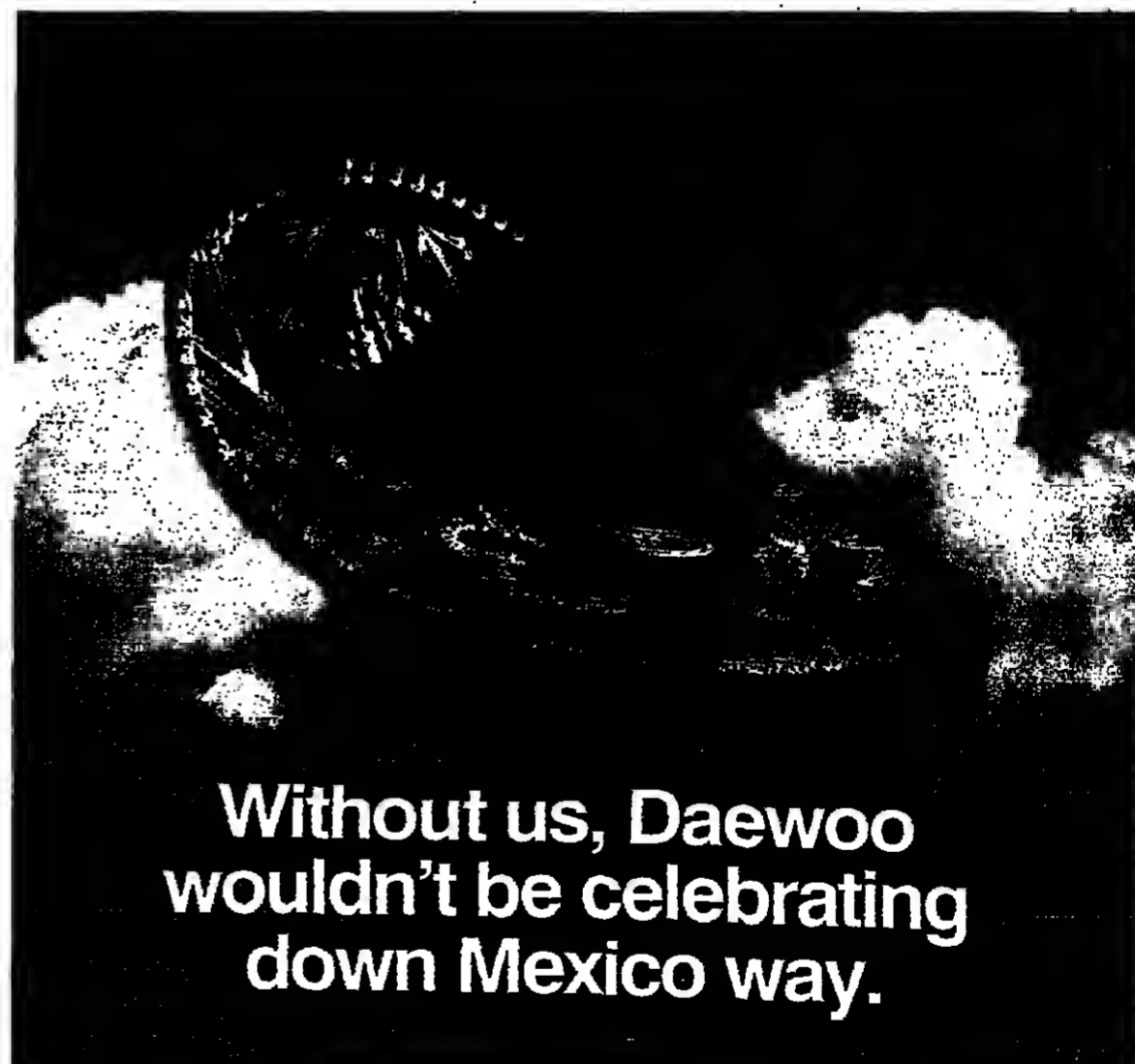
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FT WEATHER GUIDE Europe today Mid but humid air will spread from the west over the British Isles and western France. Temperatures will rise but cloud will persist in many places. The Alps will remain cloudy and cool with many spells, especially in the north. Central and northern Italy will have showers and some sun. Spain will continue sunny and warm. Greece will be very warm. Turkey and Cyprus will have local maximum temperatures near 40C. A weakening depression will continue to give rain over southern Sweden and parts of Finland and Poland. Five-day forecast Central Europe will be warmer because sprawling high pressure is expected to form in the second part of the week. The Alps will have more sun with temperatures reaching 25C in the valleys during the weekend. Spain and Portugal will become warmer with very high temperatures expected during the weekend. The British Isles and Scandinavia will continue unsettled and relatively cool. The Benelux will have slowly rising temperatures towards the weekend. TODAY'S TEMPERATURES Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands



Without us, Daewoo wouldn't be celebrating down Mexico way.

It's hats off to Daewoo whose first North American manufacturing facility at Querétaro, Mexico is opening the door to a refrigerator market worth some £200 million. Strengthening the partnership forged through serving Daewoo's automotive division in Korea, Bundy has been selected as sole supplier of condensers.

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Vertical sidebar with various advertisements and text including 'Who keen to stake in Nedc?', 'Additional Lex comment on UK economy, Page 18', and 'WORLD LEADERSHIP IN SPECIALISED ENGINEERING'.

SENIOR FLEXIONER... world leader in... many

COLIE Interleasing... HOW DO YOU CONTROL THE COSTS OF CARS, IF THEY KEEP MOVING?

FINANCIAL TIMES COMPANIES & MARKETS Wednesday July 10 1996

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IN BRIEF

WORLD STOCK MARKETS Today the FT starts publishing share price highs and lows on a rolling 52-week basis for most companies on the World Stock Markets page. This gives a more consistent period over which to judge share price performance than the calendar year method which it replaces. Page 29

Volvo keen to raise stake in NedCar

Volvo of Sweden said it was keen to raise its stake in NedCar, a three-way joint venture with the Dutch government and Mitsubishi Motors, as part of its plan to expand its Netherlands-based car operations. It said it wanted to exercise an option to purchase half the Dutch government's one-third interest in NedCar. Page 14

Indian pipeline group puts back GDR issue SAAP Pipes, the Indian pipeline engineering group, has postponed a \$80m Global Depository Receipt issue, which had been due for pricing this week, following a fall of more than 10 per cent in its Indian share price last week. Page 16

Lloyds TSB bank stake review 'inevitable' Macquarie Bank, Australia's leading privately-held merchant bank, believes a review by Lloyds TSB, the UK banking group, of its 14 per cent stake in Macquarie is 'inevitable'. 'It's not a strategic stake,' said Mr David Moss, Macquarie's chief executive. Page 16

International Paper upbeat despite fall International Paper of the US, the largest paper manufacturer in the world, gave a more optimistic assessment of the outlook for the industry while announcing a fall in earnings for its second quarter from \$316m a year ago to \$95m. Page 17

Glaxo raises hopes on triple Aids therapy Glaxo Wellcome, the UK's largest drugs company, hopes to have its own triple combination of drugs for Aids on sale within two years, which could give it a clear advantage of many of its rivals in the Aids drug market. Page 18

Fresh doubt raised over RTZ-CRA zinc mine The dispute over development of the \$1.14bn (US\$900m) RTZ-CRA Century zinc mine in the Australian state of Queensland has continued, with key tribal leaders claiming local aborigines had voted overwhelmingly against the project, rendering invalid claims by both RTZ-CRA and the Queensland Government that an earlier poll had backed it. Page 22

Zurich stocks reach record close In Zurich, heavy demand for stocks included in Switzerland's SMI index, particularly those of Nestlé, the international food processing group, and Union Bank of Switzerland, helped drive the index to a record close of 3,773.4, a rise of 40.6. Page 32

Companies in this issue: Anglo American Corp, Anglovest Minerals, Auchen, BSKYB, BT, Boshart, Beepac, Bridgestone, Canal Plus, Carlsberg, Chase Manhattan Bank, Compaq, Danish Business Sys, Datsybay, Deutsche Bahn, Deutsche Bank, Doosan da Franco, Du Pont, Electronic Retail, Elektronweit, Enigma, Euron, Europe Online, Fuji, GE, GEM, Genco Computer, Glaxo Wellcome, Heinkel, Hewlett Packard, Hino Motors, Hoechst Fibres, Informix, International Paper

Market Statistics: Annual reports service, Benchmark Govt bonds, Bond futures and options, Bond prices and yields, Commodity prices, Dividends announced, UK, EMS currency rates, Eurobond prices, Fixed interest indices, FTSE-100 world indices, FTSE-100 index, FTSE-100 index, FTSE-100 index

Chief price changes yesterday: Frankfurt (Dax), London (FTSE-100), Amsterdam (AEX), Athens (ASE), Beijing (SSE), Bombay (BSE), Buenos Aires (MERVAL), Calcutta (SSE), Copenhagen (OMXC20), Hong Kong (HSI), Jakarta (IDX), Kuala Lumpur (FTSE-JK), Madrid (IBEX35), Milan (ISEQ), Moscow (MICEX), New York (DOW JONES), Paris (CAC 40), Seoul (KOSPI), Singapore (SSE), Sydney (ASX 200), Taipei (TSEI), Tokyo (Nikkei 225), Warsaw (WIG), Zurich (SMI)

Investors snap up DM250m Polish eurobond

Europe and Asia provide strong demand for five-year issue

European and Asian investors yesterday flocked to buy a eurobond issue by Poland, confirming growing international interest in the eastern European market. Poland, which is paying 65 basis points to about 70 basis points more than the German government to borrow about DM250m (\$164m) over five years, has become increasingly popular among investors since issuing its first eurobond last year. Its credit rating was raised to investment grade by two agencies this year and its bonds have risen sharply in price, with the yield spread over five-year US Treasury bonds falling from 165 basis points to about 70 basis points.

Mr Roman Schmidt, head of syndicate in Frankfurt for Deutsche Morgan Grenfell, the bank which jointly led the deal along with CS First Boston, the international investment bank, pointed to especially strong interest from German institutions and savings banks, which have not traditionally been buyers of emerging market investments. 'People who have never been active in the market before have bought quite a lot of it,' he said. Many of these were investors which would typically prefer weaker-rated corporate bonds to higher-yielding sovereign assets. Just over a third of the issue was placed in Germany, with more than a quarter of that amount likely to find its way into the hands of retail investors. Twenty per cent of the issue was placed in Switzerland, 10 per cent in the Benelux countries and 4 per cent in Austria. UK institutions bought 13 per cent of the offer, with the remainder channelled to institutions and individuals in Japan and elsewhere in Asia.

Mr Simon Meadows, co-head of debt capital markets at CS First Boston, said rating upgrades, Poland's imminent admission to the Organisation for Economic Co-operation and Development and the parity of central European eurobonds had generated interest and that the issue had been 'heavily oversubscribed. We started turning buyers away when the issue was knocking on being twice oversubscribed.' As a result, the bond immediately rose in price after its launch yesterday, with spreads

over German bonds falling by two basis points to 63 basis points by the close. Responding to criticism that pricing on the deal had been too aggressive, Mr Meadows said: 'It's come, it's sold, it's tightened - it can't be too expensive, you can't buck the market.' Mr Schmidt said that investors in general were becoming more familiar with eastern Europe. Last month, Romania issued its first eurobond, while Slovenia and Croatia are planning imminent issues.

German bank realigns duties to speed decision making

Deutsche Bank takes 'final step' in revamp

Deutsche Bank, Germany's biggest bank, is grouping its worldwide banking activities into four divisions and relieving main board members of day-to-day responsibilities to speed up decision making and strengthen its global presence. The move, announced yesterday with immediate effect, comes as the bank is expanding aggressively in investment banking and overhauling its domestic activities. Mr Hilmar Kopper, chairman, said the new management policy was 'the final step in the restructuring of Deutsche Bank'.



Hilmar Kopper: new management policy

Its main effect is to place more responsibility with the new divisional managers. The divisions cover private customers, companies and institutions, investment banking and group services such as personal and technology. Each has its own operational board, with main board directors now concentrating on strategy, co-ordination and communication. The size of the group board, headed by Mr Kopper, remains at 12. Below this, the biggest division is investment banking with five divisional heads for equities, global markets, emerging markets, asset management and other activities. Three main board members - Mr Michael Dobson, Mr Ronald Schmitz and Mr Rolf Breuer - share strategic responsibility for the division. The reorganisation of investment banking, undertaken when the bank integrated the previously acquired Morgan Grenfell in the UK at the end of 1994, was a model for the group-wide restructuring. Deutsche Bank is spending heavily on new staff and trading systems and has shifted much decision-making power in investment banking away from Frankfurt. Analysts said the management streamlining, which follows similar moves at industrial companies such as Daimler-Benz and Volkswagen, was positive and in line with the bank's efforts to become a leading global investment bank and improve its return on equity. The management streamlining removes the overlapping regional and operational functions of board members. However, the Asia/Pacific and North American regions have directors with overall responsibility and regional chief executives. Mr Michael Klein, banking analyst at Deloitte, the Frankfurt bank, said the refocusing was 'logical and consistent'. It would give Deutsche Bank a clearer management structure than other big German banks. A group executive committee of main board members and divisional managers will provide a forum for discussion of strategic and operational matters. Mr Stephen Lewis, European banking analyst at Union Bank of Switzerland in London, said the changes made good sense but did not solve the bank's problems. 'If these changes can make them more profit-aware in the retail business and in investment banking, then they will go a long way towards solving Deutsche Bank's problem of sub-par return on equity.' The bank has set itself a target for return on equity of 25 per cent before tax. Last year, it reached 13.7 per cent. Mr Kopper said in May that its equity return and cost/earnings ratio were unsatisfactory.

MTV to launch interactive TV channel for PC pop fans

MTV, the pop music network owned by Viacom, will next month launch a 24-hour cable television channel which offers simultaneous viewing on personal computers of conventional music videos and worldwide web pages containing related data. The channel, M2 Music Television, is an important endorsement by a leading media group of efforts led by the computer industry to advance the convergence of TV and interactive PC technologies. 'Just as MTV revolutionised television for a generation, M2 will take music television into a new era,' said Mr Sumner Redstone, Viacom's chairman. M2 represents one of the first main applications for Interact circuitry introduced last year by Intel, the leading US chipmaker. Interact is a plug-in board which can receive broadcast or cable TV signals together with web pages which are piped in via the vertical blanking interval - the unused portion of a TV signal which is visible in still photographs as a dark horizontal strip. This enables web data to be inserted into TV transmissions at up to four times the speed of the fastest available PC modem. The board might add about \$200 to the price of a conventional PC, Intel said. 'By Christmas there will be a pretty reasonable volume of machines sold, and it will become a mass market item in 1997,' it said. Other entertainment groups planning to use Interact technology include NBC, which aims to demonstrate its capabilities during the Atlanta Olympic games next month, and Turner Broadcasting, which has plans for its Cable News Network. The launch of the M2 on August 1, the 15th anniversary of the internationally successful MTV network, is expected to be preceded by the release next week of the first Pentium Interact computers by Compaq. Industry experts expect other manufacturers to follow suit quickly. M2 has signed distribution deals with satellite broadcasters with access to only about 1m homes, although a sales campaign aimed at cable operators with 62m connections will start next week. Industry observers said Viacom's move aimed to target young PC users who watch little TV, establish a prior claim on new cable capacity and develop expertise ahead of competitors.

Kirch may buy BSKYB stake

Kirch Gruppe, the German media company, is interested in buying a stake in British Sky Broadcasting to help cement the new relationship between the two satellite broadcasters. The aspiration that Munich-based Kirch will take a stake in BSKYB forms part of the agreement on digital television signed by the two this month. On Monday, BSKYB said it intended to take a stake of up to 49 per cent in DFL, the Kirch digital satellite TV venture that plans to launch 17 channels for the German market on July 28. BSKYB has undertaken to help Kirch take a stake, although currently this is only a possibility because there are no obvious stakes in BSKYB available. Kirch could, however, buy shares in the market or buy a stake if there was an issue of shares to fund the launch of digital satellite services in the UK. BSKYB, in which Mr Rupert Murdoch's News Corporation has a 40 per cent stake, has said it will launch digital satellite TV in the UK in the last quarter of 1997. Specifications went out last week to manufacturers of digital decoders with the message that it would be needed in the shops by September 1997. By autumn 1997, Kirch should have more than 12 months' experience in launching digital satellite services. In Italy, Kirch has a 32 per cent stake in Telepiu which has launched a number of digital channels. It launches its football service, including all Italian Serie A games on a pay-per-view basis, in September. BSKYB, which plans to launch digital TV with at least 200 channels in the UK, is likely to try to include a pay-per-view service for all English Premier League football matches if terms can be agreed with the Football League. After the collapse of the proposed alliance of Canal Plus of France, Germany's Bertelsmann and BSKYB, Mr Sam Chisholm, chief executive of BSKYB, and Mr Gottfried Zwick, chief executive of DFL, found they were 'like-minded' on the launch of digital satellite TV in Europe. Above all, both wanted to stop talking about grand alliances and 'just do it'. BSKYB will pay no money for its DFL stake but will help fund the venture. It could invest about \$200m over the next few years.

Barry Riley

The bulls spell out 'q' for quibble

Tobin's ratio q says something fundamental about the value of equities. It has departed from its equilibrium value of near unity (seen in the UK in the late 1980s) into expensive territory, but the unwelcome message is being disputed. The bulls' arguments are well worth exploring, although I certainly do not wish to join the school of bubble market apologists, of the kind that 'proved' in 1989 that the Tokyo stock market was still cheap after adjustment for high growth, undeclared earnings and cross shareholdings.

Essentially, the problem is that q for the US equity market, at least as calculated by the Federal Reserve, has soared to a historically very high value of about 1.7. The highest previous level of about 1.2 in the late 1980s reflected a previous phase of very high prices on Wall Street when the 'Nifty Fifty' ruled the roost. But for most of the 1990s q bumped along between 0.4 and 0.8. It took the protracted bull market of the 1990s to take it into previously unexplored territory. Does it encapsulate the loss of value? To recap, q compares stock market capitalisation with the replacement cost of a company's assets. This may or may not be helpful at the individual stock level, but when averaged over all listed companies it ought to tell us something general about the level of the stock market. At a simple level, a high value of q is positive for the economy. It implies that companies are worth more than their assets.

However, there is a puzzle in that the rise in q does not seem to have triggered a capital investment boom - certainly not in the UK, where the ratio is about 1.3, according to a recent study by the Bank of England. In the US, companies have been very keen to repurchase their shares - surely not logical behaviour if the available cash would be worth 1.7 times as much if invested in productive assets. Some analysts, such as Jeffrey Weingarten of Goldman Sachs, have pointed out that the Fed's calculations seem to have underestimated the replacement value of land by a large degree, and adjusting for this would reduce q to about 1.4 - still high, but historically not quite so astronomical. Otherwise, high levels of profitability, of the kind seen recently, could justify an elevated q . Jeffrey Applgate of Lehman Brothers says the profitability-adjusted ratio is now 1.3, and on this basis was actually higher back in the 1980s. But this leaves open the question of whether corporate earnings will soon revert to a lower historical mean.

There remain more technical arguments, such as that an increasing amount of corporate investment is in software, systems and brands, and is expensed rather than capitalised. This may be distorting downwards the asset denominator and producing a deceptively high q . Finally, even if q is sometimes too high (or too low) the historical evidence is that it is not corrected over a single business cycle but may persist for periods of 10 to 15 years. The current high ratio is clearly influenced by the much improved return on equity being achieved both in the US and the UK compared with the early 1980s (though it is no higher than achieved in the 1980s). Perhaps the wisest conclusion is the one put forward by the London investment boutique Marathon Asset Management. US companies do not seem to be investing as though they believe high profits will persist. That self-restraint, or maybe lack of confidence, may paradoxically be the best reason for hoping that the stock market's good times will continue to roll.

Number 1 in the Eurolira Market in 1995. Abbey National, Republic of Austria, BSKYB, Helaba, DFL, etc. CAPITAL MARKETS DEPARTMENT Head Office, Piazza Cordusio, 20123 Milan

UP

COMPANIES AND FINANCE: EUROPE

Volvo keen to raise stake in NedCar to 50%

By Greg Melvor in Stockholm and Gordon Cramb in Amsterdam

Volvo of Sweden said yesterday it was keen to raise its stake in NedCar, a three-way joint venture with the Dutch government and Mitsubishi Motors...

Mr Ingmar Hesselors, company spokesman, said Volvo was keen for negotiations to start sooner rather than later...

NedCar said yesterday. The company last week announced a slide into a F1.16bn (US\$899m) net loss from operations last year after a modest F1.5bn profit in 1994...

formerly managing director of Volvo's Ghent production base in Belgium. The management overhaul reflects NedCar's emergence as a pure production unit after a five-year transition...

in investment capital. However, Volvo said S40 and V40 production would be in profit by the end of this year. It expected to produce 65,000 of the new models in 1996 and planned to expand capacity from 100,000 to 140,000 vehicles...

Europe Online seeks court protection

By Neil Buckley in Brussels

Europe Online, the European Internet service provider whose largest shareholder has withdrawn financing, was yesterday granted an application to go into court administration by the Luxembourg Commercial Court...

The move will protect the Luxembourg-based company from creditors and bankruptcy orders while it continues negotiations with potential investors...

The company is in talks with "half-a-dozen" potential investors, thought to include ComputServe, the US online service, ITT, the US leisure group, and at least one European company...

Mr Becker believed an agreement with new investors was possible "in four to eight weeks". The company would pursue all options, including one investor taking a large stake, or several investors taking smaller stakes...

"At the end of the whole process, it is very likely we will have a different shareholder structure," Mr Becker said.

Europe Online, in which Pearson, owner of the Financial Times, has a stake, would in the meantime operate as normal. The application for court administration, Mr Becker said, was made after shareholders "failed to agree on a uniform strategy"...

Under the Luxembourg administration procedure, Judge Maryse Walter has been appointed to oversee the company's affairs, with two experts to investigate the financial situation and prepare a report by December 1.

Europe Online was founded in 1994 to offer a European-language alternative to US services such as CompuServe and America Online. But it was not launched until December last year following several postponements and shareholder disagreements over strategy.

NEWS DIGEST

Belgian treasury in debt shake-up

The Belgian treasury is to issue treasury bills in a variety of currencies from today in an attempt to manage its \$9.5bn worth of foreign-currency short-term debt more efficiently...

Mr Baudouin Richard, a senior Belgian treasury official, said yesterday the treasury would make "some savings" by issuing BTBs. It tends to pay the London interbank bid rate (Libid) plus 3 or 4 basis points in the interbank market...

The treasury, which has built up a larger domestic treasury bill market, will initially issue the BTBs through taps but plans to hold auctions eventually. It will also buy back BTBs, which are most likely to be issued in D-Mark, Swiss francs, dollars and Dutch guilders...

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Elektrowatt raises Sfr500m

Elektrowatt, the Swiss industrial conglomerate, has raised an estimated Sfr500m (\$386m) from the sale of its various electronics businesses. The company said yesterday it had sold the last two companies in its electronics division...

Melcher has annual sales of Sfr50m and employs 210 staff, and Sandwell has annual sales of Sfr100m and employs 1,030 staff. On Monday, Elektrowatt sold its Schaffner Elektronik to local management in a Sfr150m MBO...

Elektrowatt's sale of its electronics interests follows a decision to concentrate on its core businesses of electric power, security systems and building controls...

Sydkraft sees profits unchanged

Sydkraft, the Swedish energy group, reaffirmed its forecast that 1996 profit after financial items will be broadly unchanged from the SKr2.45bn (\$365m) it reported in 1995. "Our profit will be at the same level as last year," the company said...

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Investment marriage made in the Bahamas

Harvard and Stratton create a \$1.4bn vehicle targeting opportunities in eastern Europe

Mr Viktor Kozény and Mr Michael Dingman have already made a splash investing in eastern Europe's emerging markets.

Their alliance last October, when Mr Dingman's Stratton Investment Company took stakes in leading Czech companies alongside Mr Kozény's Harvard group, reshaped the Prague stock market.

Now they have gone one better by merging the investment interests of Harvard and Stratton into a \$1.4bn venture targeting new opportunities in the region. The new vehicle, Daventre, will be one of the largest private investors in eastern Europe, with the two companies owning 50 per cent each.

Daventre, like Stratton, is the product of a meeting of minds on a Caribbean beachfront. Mr Kozény, 35, has lived in the Bahamas since 1993, when he left the Czech Republic complaining of media hounding in a blackmail case he had brought against a former secret service agent, Mr Dingman, in his mid-30s, is a tax exile there from the US.

Daventre appears to be Stratton Mark II, this time with Mr Kozény fully on board. Its goals, as outlined by Mr Dingman, are similar - to take stakes in asset-rich companies in the region as a medium-term investor, restructure them and then sell either to strategic investors, or via a flotation.

It will seek stakes of 50-100 per cent in its target companies so that it has the necessary control to carry out its strategy. "It's just impossible to have less than that and wield the kind of influence that can move the companies in the right direction," he said.

Stratton has already set out on this course in the Czech Republic, although in some cases it has not been able to acquire a controlling stake. Perhaps because of this its results so far have been mixed, although it insists its early exit from two of its prime Czech investments are entirely in keeping with its aim of working only with management and other shareholders who subscribe to its goals.



Viktor Kozény (left) and Michael Dingman. Czech analysts yet to be convinced of alliance's motives

Harvard's original alliance with Stratton unleashed a consolidation of ownership of privatised Czech industry that continues today and that many regard as important and inevitable. Other fund managers quickly joined the bandwagon.

The process was tilted in favour of big, secretive investors, aided immeasurably by weak market rules. The country's millions of small shareholders and many foreign portfolio managers lost out and became deeply disillusioned.

Harvard shareholders have yet to reap the benefits of the alliance with Stratton. Since October, Harvard's share price has fallen 50 per cent and its net asset value by even more.

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fund manager to act in this way. As a result, growing numbers of foreign fund managers are bypassing Prague in favour of more transparent markets, such as Warsaw and Budapest, which make up an effective regulation which they lack in sight.

But Mr Kozény's lack of communication with investors has damaged Harvard's credibility. "The market has lost confidence in Harvard and it will be very difficult to rebuild it," says Mr Vladimír Jaroš, head of research at Wood & Co, a Prague stockbroker.

Hence the scepticism that greeted Daventre among Czech analysts, who have yet to be convinced of the real motives behind the Dingman/Kozény alliance. "I have doubts about the sincerity of Harvard and Stratton in turning [their investments] around," says Mr Juraj Kovac, of CS First Boston.

Can Daventre change perceptions? It owns all the stakes of the Harvard holding company and of Stratton, ranging from stakes in key Czech companies to a controlling interest in a Russian paper mill, an oil and gas concession in the United Arab Emirates, and cash, and has a net worth of \$1.4bn.

"We've already got a fairly respectable war chest available to make acquisitions which will be starting fairly soon," Mr Arbes said. Daventre, registered in Cyprus for tax reasons, will be listed in Prague and ultimately in London and New York.

Mr Dingman, who has made a personal fortune turning US companies round, said he was "awed by the opportunities and awed by the job" of doing so in eastern Europe. "It's a diabolical combination," he said.

Now that Harvard and Stratton have turned their engagement into a marriage, Harvard shareholders will be hoping it is one made in heaven.

Vincent Boland

TENDER NOTICE UK GOVERNMENT ECU TREASURY NOTES

For tender on 16 July 1996

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 500 million nominal of UK Government ECU Treasury Notes, for tender on a bid-yield basis on Tuesday, 16 July 1996. These Notes will add to the ECU 500 million of the same security sold by tender on 16 January 1996 and the ECU 500 million sold by tender on 16 April 1996. An additional ECU 50 million nominal of Notes will be allotted directly to the Bank of England for the account of the Exchange Equalisation Account.

2. The ECU 500 million of Notes to be sold by tender will be dated as of 23 January 1996 and will mature on 26 January 1999.

3. Notes will bear an annual coupon of 5% payable on 26 January, starting on 28 January 1997. Payment for Notes allotted in the tender will be due on 19 July 1996; the amount payable will include 176 days accrued interest.

4. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services, Threadneedle Street, London not later than 10.30 a.m., London time, on 16 July 1996.

5. Tenders must be made on a yield basis (calculated on the basis of a month of 30 days and a year of 360 days) rounded to two decimal places. Each application form must state the yield bid and the amount tendered for.

6. Each tender to each yield must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

7. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Notes in global form to their account with ESO, Euroclear or CEDEL, Notes will be credited in the relevant system against payment. For applicants who have requested definitive Notes, Notes will be available for collection at Customer Settlement Services of the Bank of England after 1.30 p.m. on 19 July 1996 provided cleared funds have been credited to the Bank of England's ECU Treasury Notes Account No. 59045828 with Lloyds Bank Plc, Bank Relations, St George's House, PO Box 767, 6-8 Eastcheap, London EC3M 1LL. Definitive Notes will be available in amounts of ECU 1,000, ECU 10,000, ECU 100,000, ECU 1,000,000 and ECU 10,000,000 nominal. If any applicant whose tender is accepted has requested definitive Notes, other applicants whose tender has been accepted and who requested Notes in global form may nevertheless be required to accept definitive Notes under the rules and procedures of Euroclear and/or CEDEL. In such event, such definitive Notes will be held by the Bank of England as the specialised depository for Euroclear and/or CEDEL. In such circumstances as the Bank of England may determine, for such applicants who requested Notes in global form.

8. Her Majesty's Treasury reserves the right to reject any or part of any tender.

9. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Note programme issued by the Bank of England on behalf of Her Majesty's Treasury on 9 January 1996. This tender will be subject to the provisions of the Information Memorandum and to the provisions of this notice.

10. The ECU 50 million of Notes to be allotted directly to the Bank of England for the account of the Exchange Equalisation Account will be dated as of 23 January 1996 and will be for maturity on 26 January 1999. These Notes will be added to the Bank's holdings of Notes which may be made available through sale and repurchase operations with the market makers listed in the Information Memorandum.

11. Copies of the Information Memorandum may be obtained at the Bank of England, UK Government ECU Treasury Notes are issued under the National Loans Act 1968.

Bank of England 9 July 1996

MITSUI MARINE & FIRE INSURANCE COMPANY LTD Notice to EDR Holders

CDR ENTREPRISES (ANCIENNIEMEN ALTIUS FINANCE S.A.) JPY 20,000,000,000 - Fixed/Floating Rate Notes due 1999

Continental Airlines, Inc. Notice to Holders of 6 3/8% Convertible Subordinated Notes due 18th April 2006

Ville de Montréal Can\$200,000,000 Floating Rate Notes Due January 10, 2000

CONTRACTS & TENDERS APV RT. HUNGARIAN PRIVATISATION AND STATE HOLDING COMPANY NOTICE The Hungarian Privatisation and State Holding Co. hereby informs all interested parties that the tender announced for the sale of shares in the Átlatános Értékforgalmi Bank Rt. has been successfully concluded...

Docks de France rejects Auchan bid

By David Owen in Paris

Docks de France, the French retail group, last night formally rejected a Ffr17bn (\$3.2bn) takeover bid from Auchan, a rival French retailer, saying it was not in the company's interests.

The group's board voted unanimously against the Ffr1,250 a share offer and backed Mr Michel Deroy, chairman, in his bid to look for "alternative solutions capable of reconciling the interests of the company and its shareholders".

Tesco, the UK supermarket group, is understood to be considering a white-knight intervention in the battle, in a move that could cost it up to £25m (\$3.9bn). But Docks de France, best known for controlling the Mammoth supermarket chain, yesterday denied reports that Tesco was studying the possibility of making a "friendly" Ffr20bn bid.

The Docks de France board recommended that shareholders, who have until July 30 to make up their minds on Auchan's offer, wait before making their decision.

The statement came after the Paris stock market closed with Docks de France shares unchanged at Ffr1,222, comfortably below the value of the bid.

Hostile takeovers are rare in France, where discreet behind-the-scenes negotiation tends to precede offers; the last notable hostile bids took place at the end of the 1990s. However, new legislation on large retail developments is making domestic expansion by large French retailers increasingly difficult.

Mr Deroy said Auchan's decision to launch its bid followed an initial affirmation that it was only interested in a minority stake in the company. He said the development of Docks de France had been founded on "values of openness, transparency and decentralisation". This culture had enabled the group to record "extremely positive" results, enabling it to pursue its development in France and abroad. He said the group's investment capacity currently stood at more than Ffr3.5bn.

Auchan, a secretive, private-held group, last week disclosed that net profits fell from Ffr604m in 1994 to Ffr487m in 1995 on sales ahead 6.1 per cent at Ffr64.3bn. It said if its bid were successful, the combined group would have an annual turnover of Ffr110bn.

Lex, Page 12

WORMS & CIE

The Managing Partners of Worms & Cie, at their meeting of 28 June 1996, noted that all conditions precedent had been met for the merger of Maison Worms & Cie into Worms & Cie approved by the Shareholder's Meetings of 13 June 1996 for Worms & Cie and 28 June 1996 for Maison Worms & Cie.

The merger transactions are consequently effective as from 28 June 1996 and the capital of Worms & Cie now amounts to FRF 412,292,688 divided into 34,357,724 shares with a par value of FRF 12 each.

U.S. \$60,000,000 Banco de Boston S.A.

Guaranteed as to Commercial Risk due 2002 Guaranteed by The First National Bank of Boston

Notice is hereby given that for the first time interest on the U.S. \$60,000,000 Floating Rate Notes will be carried on a 360 day year basis. The interest rate on the notes will be U.S. \$4.000000 per annum, payable semi-annually on January 10, 1997 and July 10, 1997.

By The Chase Manhattan Bank, N.A. London, Agent Bank July 10, 1996

Platform Home Mortgage Securities No 1 PLC (formerly known as Bear Stearns Mortgage Securities No 1 PLC and incorporated in England and Wales under registered number 2334382) £106,190,000 11.75 per cent. Mortgage Backed Bonds due 2017

USD 10,000,000,000 EURO MEDIUM TERM NOTE PROGRAMME OF SOCIETE GENERALE SGA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED SERIE N°16695-1 TRY SGA SOCIETE GENERALE ACCEPTANCE N.V. FRF 1,500,000,000 FLOATING RATE NOTES DUE 1998

Wasserstein Perella

an treasury
bt shake-up

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ll sees profits uncha

Auchan bid



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July 10, 1996

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- Assembled 350 employees worldwide, including 175 banking professionals
- Increased our common equity capital base from an initial \$2 million to over \$250 million
- Created an international network with three key components:

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COMPANIES AND FINANCE: ASIA-PACIFIC

Wallace sets out to streamline Mazda

The carmaker's new president aims to rationalise without stifling creativity, reports Haig Simonian

There is a daily dispute in the motor industry between product developers and financial administrators. While the "petrolheads" clamour for new products, the "suits" brandish their slide rules to explain why not. Keeping the two in reasonable check is how most carmakers come up with innovative products and still make money. Rule by the bean-counter often results in bland but do-budget cars which struggle to drive out of the showroom. But when the bolins take control, the result is Mazda.

Japan's fifth-largest carmaker has become a byword for innovation run wild. Bolstered by an expansionist strategy in the hubble economy of the early 1990s, Mazda's managers sanctioned new factories, models and dealer chains as if demand would rise forever. Instead, the Japanese market turned sour, the yen soared in value, blunting export competitiveness, and interest on the debt amassed to fund growth threatened to exceed the money earned on the declining numbers of Mazdas sold. Losses mounted, culminating in the decision earlier this year by Ford, a long-standing minority shareholder, to raise its stake to 33.4 per cent and take management control.

Mr Henry Wallace, Mazda's new president, argues his first task is to reimpose greater control on Mazda's imaginative but financially undisciplined engineers. In his first interview with European motoring journalists, he set out a twin strategy of financial rigour and closer integration with Ford to restore Mazda's muscle as the world's twelfth-biggest carmaker.

workforce was trimmed, although mass redundancies were avoided through natural wastage. Staff numbers in Japan should fall by a further 1,000 to 25,000 by the end of this year.

Such measures helped Mazda restore profitability at the operating level in the second half of last year. Thanks to sales of financial securities and property, the company posted a tiny ¥36m (\$215,300) profit in the 1995 financial year, ending on March 31.

Mr Wallace says Mazda will probably generate further earnings from selling securities this year. That is partly to build up reserves ahead of some big debt maturities in 1997 and 1998. Overall borrowings should fall to about \$4bn by the end of this year from \$5.5bn five years ago, he estimates. However, Mr Wallace denies asset sales will be essential to meet its forecast of ¥20bn in profits this year.

Although Mazda is now making money at the operating level, Mr Wallace says it must continue to cut costs. That means disciplining its inventive engineers to create a more coherent model range. Mr Wallace argues Mazda must slim down to about seven distinct passenger cars from its present range of about 20.

That would remove many overlaps in the current confusing range, which includes four main vehicles (the L21, 323, 626 and 929) and the additional, entirely separate, Xedos brand comprising two up-market executive models. Mazda also makes two sports coupés, a convertible and a number of multipurpose vehicles and sports utilities.

Such proliferation confused customers and even dealers, says Mr Wallace. Moreover, none of the models was produced in sufficient volumes to justify development and production engineering investment. "It is clear we've got far

too many model lines and they're all in small volumes", admits Mr Wallace.

The future range would include three vehicles broadly similar in size to Ford's current European Fiesta, Escort and Mando models, as well as a larger executive vehicle, which Mr Wallace reckons is not strictly necessary, but desirable competitively. Mazda should also make a sports utility and a multipurpose "people carrier", as well as one "image model" such as a sporty convertible.

The obvious way to simplify the line-up would be to co-ordinate future model programmes more closely with Ford. The US company is in the throes of an extremely ambitious reorganisation strategy to base its own international product development efforts on just five "vehicle centres" that will meet all the group's future needs.

Mr Wallace declines to comment on how closely Mazda should become enmeshed in the "Ford 2000" reorganisation process. Sharing the basic structures of future vehicles is "a major area we need to look at in terms of synergies," he notes. However, he says detailed discussion of rationalisation is still "in the air right now".

The trick will be to integrate Mazda's product development efforts much more closely, without compromising its individuality. Mr Wallace admitted Mazda's reputation for innovative engineering and "interesting" cars was one of its biggest assets. Mazda may even develop some models, such as the small front-wheel-drive cars which are its forte, for the entire Ford group.

Although the development of the next generation of Mazdas is too advanced to be affected by the closer embrace of its American parent, Mr Wallace hinted that the next generation but one would probably have more than a trace of Ford under its skin.



Henry Wallace: 'It is clear we've got far too many model lines'

Review of Lloyds' 14% holding in Macquarie 'inevitable'

By George Graham, Banking Correspondent

Macquarie Bank, Australia's leading privately-held merchant bank, believes a review of Lloyds TSB's 14 per cent stake is "inevitable". "It's not a strategic stake," said Mr David Moss, Macquarie's chief executive.

But Mr Moss said it was still too early to say when the UK bank might reduce or dispose of its holding, which has been the subject of speculation ahead of Macquarie's imminent stock exchange listing.

Lloyds acquired its stake in Macquarie, now worth around A\$140m (US\$11m), through its merger last year with TSB, which owned the UK's Hill Samuel investment bank.

The belief that Lloyds was likely to sell its stake has not been diminished by the alacrity with which it has shed Hill Samuel's corporate finance and project finance divisions, and merged other units such as asset management into its own operations.

On a visit to Australia last month, Sir Brian Pitman, Lloyds' chief executive, said he had not studied the Macquarie stake at all or discussed it with anyone. Mr David Clarke, Macquarie's executive chairman, is understood to have been assured by Lloyds when he visited London recently that the stake was not for sale. But Mr Moss's comments in Sydney yesterday reflect a widespread belief that Lloyds will sell once the market has settled down after the listing, expected later this month. Lloyds and Macquarie have received differing legal advice on whether changes to the latter's articles, to be ratified this month, will invalidate an 1988 agreement requiring Lloyds to give Macquarie 60 days to find a friendly buyer if it decides to sell.

SAW Pipes delays \$60m GDR issue

By Mark Nicholson in New Delhi

SAW Pipes, the Indian pipeline engineering group, has postponed a \$60m Global Depositary Receipt (GDR) issue, which had been due for pricing this week, following a fall of more than 10 per cent in its share price last week.

Shares in the company, which manufactures submerged arc-welded pipes for the oil industry, were hit along with other oil-related stocks by the government's decision last week to raise administered petrol and diesel prices by between 15 and 25 per cent.

Bankers in Bombay said SAW's postponement, among the first of a spate of new Indian euro-issues either already being publicly marketed or due in the next few months, highlighted the potential vulnerability of even smaller or second-rank companies to the vagaries of the Indian equity market and, particularly, its reaction to the United Front government's

first budget, due on July 22. SAW's shares fell from Rs133 in Bombay at Monday's opening last week to Rs117 by Wednesday and were yesterday trading at Rs107. The sharp fall persuaded SAW to defer the issue, lead-managed by Paribas. It was the company's third attempt to raise money through a euro-issuance, proceeds from which were to finance a second pipe-building plant in Goa.

SAW meets 85 per cent of India's demand for submerged arc-welded pipes from a 250,000 tonnes-a-year plant, 100km north of New Delhi. The planned 500,000 tonnes-a-year plant would produce for export. Mr. G. Ramesh, SAW vice-president, said the company would seek to renege the issue "on short notice" if a recovery in SAW's share price.

More than 26 Indian companies have announced plans to launch GDR or convertible bond issues over the next few months, which could raise a total of between \$1bn and \$2bn.

Hino to make truck engines in China

By William Dawkins in Tokyo

Hino Motors, the truck-making affiliate of Toyota, Japan's largest carmaker, yesterday announced plans to start producing truck engines through a joint venture in China from 1998.

The deal is likely to make Hino the first foreign truck engine producer in China, and comes just two months after Toyota received Chinese government approval to produce car engines in the northern city of Tianjin, a foothold that the Japanese group had been seeking for many years.

It offers access to a potentially lucrative market for an estimated 300,000 heavy duty trucks annually - roughly the

same level of demand as in Japan, but with much higher growth prospects.

Hino, which is 11 per cent owned by Toyota, recently completed a feasibility study with its potential local partner, the state-owned China National Heavy Duty Truck Corporation, and is now awaiting clearance from the Beijing government. The Japanese company's initial investment will be around ¥10bn (US\$90m). Production will be at the corporation's partner company, Hangzhou Automotive Engine Plant, which is based in the eastern Chinese city of the same name.

The alliance could develop into full joint production of trucks, a Hino official said.

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The undersigned announces that on July 22, 1996 at New-Ascotville N.V. and Krediet Bank S.A., Luxembourg in accordance with an "Abridged" of the CDRA Niffon Meat Packers Inc. will be payable with US\$ 12.30 per CDRA, 100 shares and with US\$ 123.30 per CDRA, 1000 shares. (div. per share \$1.03, net gross Yen 16, per \$1) after deduction of 27% Japanese tax. (Yen 24,000) = US\$ 212 per CDRA, 100 shares and Yen 2,400 = US\$ 21.20 per CDRA, 1000 shares. Without an Abridged 27% Japanese tax (Yen 320) = US\$ 2.89 per CDRA, 100 shares and Yen 3,200 = US\$ 28.90 per CDRA, 1000 shares. After 20.89% the dividend will only be paid under deduction of 27% Japanese tax with 100 shares US\$ 11.61; US\$ 116.11, resp. 100 and 1,000 shares, in accordance with the Japanese tax regulations. Amsterdam, July 9, 1996. AMSTERDAM DEPOSITARY COMPANY N.V.

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LIPPO KARAWACI

Rp. 100,100,000,000,-

30,800,000 Common Share at Rp. 3,250,- Per Share
Initial Public Offering Valuing the Company at Rp. 1,234,585,625,000,-

Lead Underwriter: PENTASENA ARTHASENTOSA
Global Coordinator: CREDIT LYONNAIS SECURITIES

Financial Adviser: LIPPO SECURITIES

Underwriters:

- PT Arya Prada Sekuritas
- PT Bahana Sekuritas
- PT BNI Sekuritas
- PT Danareksa Sekuritas
- PT DBS Sekuritas Indonesia
- PT Dharmala Sekuritas
- PT Harumdana Sekuritas
- PT Indosurya Sekuritas
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- PT Intisekuri Investama
- PT Layang Mega Sekuritas
- PT Lippo Sekuritas
- PT Mashill Jaya Sekuritas
- PT PDFCI Sekuritas
- PT Prime East Indonesia
- PT Putra Saridaya Persada Sekuritas
- PT Sucoinvest Central Gani
- PT Timogoh Securindo Lestari
- PT Usaha Bersama Sekuritas

In accordance with the standard conditions relating to the payment of the undermentioned dividends declared on 11 and 13 June 1996, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency as one of exchange for certificates between the Republic of South Africa and the United Kingdom on 8 July 1996, as advised by the companies' South African brokers.

The United Kingdom currency equivalents of the dividends are therefore as follows:

Name of Company	Dividend No.	Amount per share
Driefontein Consolidated Limited	46	14.05284p
Gold Fields Coal Limited	166	8.87548p
Gold Fields of South Africa Limited (convertible redeemable cumulative preference shares)		
24		21.48907p
53		8.13585p
Kloof Gold Mining Company Limited		

per pro GOLD FIELDS CORPORATE SERVICES LIMITED
By order of the board
London Secretary
S.J. Dunning
Secretary
9 July 1996

Int'l Paper upbeat despite second-term fall

By Maggie Urry in New York

International Paper, the largest manufacturer of paper in the world, gave a more optimistic assessment of the outlook for the industry while announcing a fall in earnings for its second quarter.

Mr John Dillon, the US company's new chairman and chief executive officer, said that demand was improving "across all major product lines" while "the price erosion that we have seen for the past year is moderating".

Mr Dillon said that rises in

the price of pulp last month and this "are encouraging, as pulp is usually a leading indicator of general price activity in our industry".

Second-quarter net income tumbled from \$316m in the same period of 1995 to \$28m, or from \$1.26 a share to 33 cents a share.

The second-quarter result was below the first quarter's net income of \$124m, or 46 cents, before a restructuring charge.

However, it exceeded analysts' forecasts, which centred on 25 cents a share, according

to First Call, a research firm. The shares rose 1 1/2% to \$38 1/2 in morning trading.

Group sales were unchanged at \$5.1bn. Sales in the printing papers division fell 11 per cent to \$1.43bn, while packaging revenues rose 11 per cent to \$1.29bn.

The results set the scene for the industry, with many forest products companies expected to report earnings in the next few days. Paper companies enjoyed a bumper year in 1995, with IP tripling net profits, as prices soared on higher demand and supply shortages.

During 1995, customers stocked up in an attempt to beat rising prices, which resulted in excess inventories and a sudden slump in demand late in the year. That weighed on prices and by the turn of the year paper companies were warning that profits would fall in the early part of this year.

However, analysts expected a pick-up in demand in the second half, partly because of the Olympic Games and the US presidential election, both events which increase paper consumption. IP is a sponsor of the Olympics.

Mr Dillon said that profits from IP's printing papers division were lower in the second quarter than the first, mainly due to weak pulp and European paper markets. However, demand for those grades "strengthened considerably during the quarter and pulp and US paper prices began to recover", Mr Dillon said.

Packaging profits also fell in the quarter, but demand was improving, Mr Dillon said. Meanwhile, the strength of the housing market benefited the group's building materials and wood products activities.

NCR and Informix in computer partnership

By Louise Kehoe in San Francisco

NCR, the computer arm of AT&T which is soon to spin off, and Informix, the database software company, will today announce a partnership to create computer systems with guaranteed high reliability.

The partnership marks NCR's entry into the market for "high availability" computer systems. Computer downtime costs US businesses an estimated \$4bn a year, the companies said.

Moreover, in some applications computer failures can be life-threatening. "If the computers that run the 911 system (equivalent to 999 in the UK) are up 99.9 per cent of the time, that still means that there is one hour per year when they are not working," said Mr Mark Hurd, vice-president of marketing for NCR's computer systems group.

"That is not acceptable." Currently, most critical computer systems are based on expensive designs with redundant components that can be called into use if the primary systems fail. NCR and Informix, however, will offer systems based on standard industry designs with guaranteed uptime. This will be achieved through extensive testing of both hardware and software to eliminate potential causes of failures.

The companies will also offer extensive consulting services to ensure design and optimise high-availability systems. Six customer support centres will be opened in the US, UK, Germany and Japan.

For NCR, the initiative represents a new direction. In future, it will focus primarily on two segments of the computer market: high availability computing and data warehousing, the creation of large corporate databases that can be mined for information.

The moves come as NCR is about to regain its independence. It was acquired by AT&T in a takeover valued at \$7.4bn in 1991. With the planned break-up of AT&T, it will be spun off as a separate company later this year.

NEWS DIGEST

Nike shares jump on strong results

Shares in Nike, the US maker of sports shoes and sports clothing, jumped 8 1/2% to \$105 1/2 in early trading yesterday after the company reported a 30 per cent increase in profits for its latest quarter and said orders were currently 85 per cent up on last year's levels. In its fiscal fourth quarter ending May 31, Nike had net income of \$156.4m, or \$1.06 a share, up from \$113.4m, or 78 cents, a year earlier. For the full year, net profits rose 38 per cent to a record \$553.2m, or \$3.77, from the previous year's \$399.7m, or \$2.72.

Strong growth in US sales of athletic clothing helped produce the profits increase. US clothing revenues rose 117 per cent in the fourth quarter and 89 per cent in the year, to \$842.5m. International clothing sales were also strong, up 38 per cent in the year to \$651.3m. US footwear sales did well in a highly competitive market, up by 20 per cent in the quarter and also by 20 per cent, to \$2.77bn, in the year. International footwear sales rose 35 per cent in the year to \$1.68bn.

Nike said it had world-wide orders for delivery of a record \$3.89bn worth of goods between June and November this year, 55 per cent higher than for the same period last year. It said rising sales were testimony to the strength of its brand.

Richard Tomkins, New York

Pixar gives up TV commercials

Pixar Animation Studios, the electronic film-making company responsible for last year's Disney hit, *Toy Story*, is to stop making television commercials and concentrate on film and interactive products. The move marks a break with the company's roots and the main source of cash flow, which helped fund its successful venture into the mainstream entertainment industry after 10 years in TV commercials.

Toy Story, the first full-length feature animated entirely by computers in three-dimensional style, and the biggest box office success of last year, was the first product of a three-film deal with Disney. The second, a re-telling of *The Sandlot*, is due out in 1998.

Pixar is 80 per cent owned by Mr Steve Jobs, co-founder of Apple Computer, and was valued at more than \$1bn on its initial public offering late last year, although annual revenues were only about \$15m and Disney is understood to have claimed the lion's share of the revenues from *Toy Story*. Earnings this year are expected to benefit from the recent release of an interactive *Toy Story* CD-ROM and the planned distribution of the home video version of the film in October.

Christopher Parkes, Los Angeles

Geac chief stands down

Mr Stephen Sadler, architect of a five-year resurgence at Geac Computer, the Toronto-based software producer has resigned as president and chief executive, but remains a director and will help the company plan more acquisitions.

Analysts were surprised by the move. Mr Sadler has made 27 acquisitions since taking over Geac's leadership in 1990. For the year ended April 30, 1996, Geac earned C\$35.6m (US\$26m) or C\$1.23 a share, against C\$32m, or C\$1.11, a year earlier, on sales of C\$203m against C\$187m. Its market capitalisation is nearly C\$800m.

Geac made an international reputation for computerised library systems but its technology became outdated by the late 1980s, bringing several years of turmoil. Customers included the Vatican Library, the Smithsonian Institution, the British House of Lords and France's Bibliothèque Nationale. It has now modernised its library systems and branched out into products for hospitals, restaurants, publishers and banks.

Robert Gibbons, Montreal

Odebrecht goes home for further growth

Brazil's economic reforms are creating fresh opportunities, says Jonathan Wheatley

After more than a decade of aggressive expansion overseas, Odebrecht, one of Brazil's biggest industrial groups, is turning its attention to the home market. The attraction is the same that led it to look abroad: quality of government.

"We haven't paid so much attention to Brazil since the government lost its grip on the economy in the mid 1980s," says Mr Ruy Sampaio, financial director. "Our business depends on political, economic and legal stability, which has been lacking. Now it is coming back."

For the civil construction industry, Odebrecht's core activity, government excesses were the source of many grudge projects. But after spending soared out of control, taking inflation with it, the supply of public contracts dried up.

Thanks to the reformist government of President Fernando Henrique Cardoso, says Mr Sampaio, Odebrecht's home market is growing again.

Inflation is now under control and a law passed last year allowing the private sector to manage concessions in parts of Brazil's creaking infrastructure offers attractive opportunities.

Odebrecht already has concessions to operate a highway linking Rio de Janeiro to the south of Minas Gerais state, a municipal sewage system in São Paulo state and a hydroelectric dam.

The company has also joined local bank Unibanco and newspaper publisher Folha de São

Paulo to prepare a bid to operate cellular telephone services; bidding is expected to open at the beginning of next year.

The concessions law is unlikely to return investment to the level of the 1970s and the volume of concessions awarded will be slow to grow. Nevertheless, Mr Sampaio is optimistic.

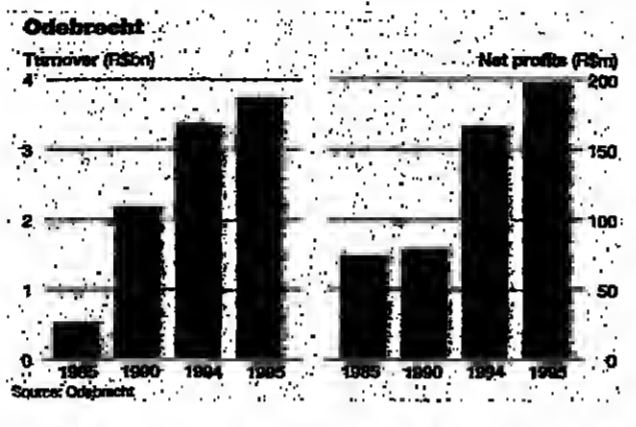
If the economic reform plan continues on track, in five years the government will again be a major source of contracts," he says. He expects growth to be stimulated by the arrival of project finance.

Brazil's fragile stability means confidence is still too low for investors to trust in the returns from operating public concessions, but Odebrecht hopes the new law will provide a sufficient legal basis to convince investors that earnings are guaranteed.

Odebrecht's last big new overseas project for the foreseeable future is a \$5.5bn contract won in June by subsidiary CBPO, as part of a consortium with Swiss group Asea Brown Boveri, to build a hydroelectric power station in Malaysia.

The deal ends a cycle of expansion that has taken Odebrecht companies into 21 countries outside Brazil. Overseas operations accounted for 38 per cent of last year's turnover of R\$3.7bn (about US\$3.7bn).

Big contracts include metro systems in Miami and Lisbon, a hydroelectric power station in Laos, a dam in Botswana, irrigation projects in Peru and Ecuador and floating platforms



for gas extraction in the North Sea. The group began in Salvador, capital of the north-eastern state of Bahia, as a regional construction company founded in 1946 by Norberto Odebrecht, an engineer of German descent whose father helped pioneer the use of reinforced concrete in Brazil.

Early success in Bahia was followed by a string of contracts for the government's north-eastern development agency, known as Sudene, and expansion into the south, with large public sector contracts including Rio de Janeiro's international airport.

Mr Sampaio says Odebrecht has grown "by combining the search for commercial advantage with its commitment to the development of Bahia". Critics say it has also grown by less orthodox means. The group's name has been linked

to a series of highly publicised corruption scandals, including one that ended in the downfall of former President Fernando Collor.

Odebrecht has always stoutly denied impropriety, but its image has suffered. Partly to correct the damage, it invests heavily in high-profile cultural and educational projects in Bahia and throughout Brazil.

Mr Sampaio says it was Odebrecht's "Bahian vocation" that led it to diversify into petrochemicals in the 1970s. A government contract to build Bahia's petrochemicals complex was followed by acquisitions in the sector, which accounted for 48 per cent of turnover last year.

More recently, the group has moved into forestry in the south of the state, where it has 17,000 hectares of eucalyptus plantations and plans to expand to 96,000 hectares.

To Holders of
THE NISHI-NIPPON BANK, LTD.
 U.S. \$70,000,000
 2 1/2 per cent. Convertible Bonds due 2003
 Notice of Offer of Rights

Pursuant to sub-clauses (B) and (C) of Clause 6 of the Trust Deed dated 19th February, 1988, under which the above described Bonds (the "Bonds") were issued, notice is hereby given that the Board of Directors of The Nishi-Nippon Bank, Ltd. (the "Bank") at its meeting held on 1st July, 1996 resolved that the Bank offer rights to its shareholders of record at 17.00 hours, Japan time, on 28th July, 1996 (the "Record Date"), entitling them to subscribe for 0.777 shares of the Bank's common stock for each one share held at the subscription price of 430 Japanese yen per share. Such rights will be exercisable for the period from 27th August, 1996 to 10th September, 1996 (both days inclusive). The shares of common stock subscribed by the shareholders will be issued on 25th September, 1996. The Record Date being a Sunday, the holder of the Bonds wishing to be entitled to such rights must have converted the Bonds and be a shareholder of the Bank on or prior to 17.00 hours on Friday, 26th July, 1996, Japan time.

As a result of such offer of rights, the conversion price of the Bonds (currently 670.80 Japanese yen per share) will be adjusted, effective as at 29th July, 1996 which is the day immediately following the Record Date, pursuant to Condition 4(C) (ii) of the Terms and Conditions of the Bonds. However, the conversion price after the adjustment is at present not determinable, because it will be calculated based on the close of business in Japan on the Record Date. Further notice will be given of the adjusted conversion price.

The Daiwa Bank, Limited
 on behalf of
 THE NISHI-NIPPON BANK, LTD.
 10th July, 1996

FOREIGN & COLONIAL PORTFOLIOS FUND
 (Formerly Hypo Foreign & Colonial Portfolio Fund)
 Société d'investissement à Capital Variable
 Siège social: 47, Boulevard Royal, L-2449 Luxembourg
 R.C. Luxembourg B 25.570
 NOTICE OF MEETING

Dear Shareholder,
 We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on July 18, 1996 at 11:30 a.m. at the registered office at 47 Boulevard Royal, L-2449 Luxembourg, with the following agenda:

1. Presentation of the reports of the Board of Directors and of the Auditor.
2. Approval of the balance sheet, profit and loss account as of March 31, 1996 and the allocation of the net profits.
3. Discharge to be granted to the Directors for the financial year ended March 31, 1996.
4. Action on nomination for the election of the Directors and the Auditors for the ensuing year.
5. Any other business which may be properly brought before the meeting.

The shareholders are advised that no quorum for the items of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

DEPARTEMENT DE LA GUADELOUPE
EMPRUNT OBLIGATAIRE FRF 50.000.000
TRANCHE A TAUX VARIABLE ECHEANCE 1998
EMPRUNT OBLIGATAIRE FRF 50.000.000
TRANCHE B TAUX VARIABLE ECHEANCE 2000

For the period July 08, 1996 to January 08, 1997
 the new rate has been fixed at 4,990467% P.A.
 Next payment date: January 08, 1997 Coupon nr: 5
 Amount: FRF 25 465,88 for the denomination of FRF 1.000.000

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST
LUXEMBOURG

TO THE HOLDERS OF THE BELOW-MENTIONED BONDS OR NOTES:
MBL Finance (Curaçao) N.V.
 (the "issuer")

Guaranteed Bonds or Guaranteed Dated or Perpetual Notes
 Guaranteed on a subordinated basis by
The Bank of Tokyo-Mitsubishi, Ltd.
 (formerly, The Mitsubishi Bank, Limited)

We hereby give you notice of the change of the name of the issuer, MBL Finance (Curaçao) N.V.

The name of the issuer will be changed to "BTM Finance (Curaçao) N.V." on 15th July, 1996. Please note in respect of global, registered and definitive Bonds or Notes (together, "the Notes") the new name will not be stamped on the Notes nor will the Notes be exchanged for Notes bearing the new name.

However, after 15th July, 1996, should global notes be exchanged for definitive notes or registered notes be transferred to new registered holders, the holder thereof will receive the definitive/registered notes with the following description of the issuer:

"BTM Finance (Curaçao) N.V. (formerly MBL Finance (Curaçao) N.V.)"

In addition, the Notes will continue to be listed on the London/Luxembourg Stock Exchanges, as the case may be, but the issuer will be described by its new name.

MBL Finance (Curaçao) N.V.
 (offices: 13th July, 1996)
 BTM Finance (Curaçao) N.V.
 10th July, 1996

EUROPEAN DEPOSITORY RECEIPTS (EDR) BEARER DEPOSITORY RECEIPTS (BDR)
 issued by
 Morgan Guaranty Trust Company of New York
 Brussels Office

Dividend	Payments	Coupon	Gross	Net amount	Net amount
	Date	number	amount	(-15% tax)	(-20% tax)
Anald Chemical Industry BDR (11.2.3)	7/5/96	46	USD 0.5474	USD 0.4653	USD 0.4379
Honda Motor Co BDR (11.2.3)	7/5/96	42	USD 0.6364	USD 0.5409	USD 0.5091
Mitsubishi Electric BDR (11.2.3.4.5)	7/5/96	51	USD 4.5450	USD 3.8632	USD 3.6360

Exiting assets:
 A. Morgan Guaranty Trust Company of New York
 (1) New York, 60 Wall Street
 (2) Brussels, 35 Avenue des Arts
 (3) London, 60 Victoria Embankment
 (4) Paris, 14 Place Vendôme
 (5) Frankfurt, 2-4 Bornemannstrasse
 B. Banque Générale de Luxembourg, 50 Avenue J.F. Kennedy, Luxembourg
 C. Crédit Industriel et Agricole de Luxembourg, 103 Grand Rue, Luxembourg

EDR and BDR holders who wish to end an entitled to receive payment of dividend under deduction of 15% withholding tax, must provide the depository with a declaration of residence by October 10, 1996.

JP Morgan

REQUEST FOR PROPOSALS
REPUBLICA DE BOLIVIA
PENSION ADMINISTRATORS AND PORTFOLIO MANAGERS

The Republic of Bolivia requests domestic and international firms, or consortiums of firms, to participate in a competitive public bid process to select (2) two pension fund managers/administrators to offer bundled services to two pension funds. The value of the assets of the non-contributory fund is approximately US \$1.5 billion. Assets will be divided between the two firms selected. The contributory fund is a start-up plan with participant mandatory and voluntary contributions. Initial contributions to the contributory plan are expected to begin by the first quarter 1997.

The Republic of Bolivia will issue a Prequalification/Terms of Reference Document (also referred to as a Request for Proposal (RFP)) by mid-August 1996 and will require responses by mid-September 1996. The final selection process is expected to be completed by the end of November 1996 with work to begin by January 6, 1997.

Each selected firm or consortium will be required to:

- 1) demonstrate capabilities and experience in the following services:
 - [Portfolio Management. Establish and manage two portfolios (one contributory and one non-contributory) within investment policy guidelines.
 - [Participant Services. Educate employees on mandatory and voluntary contributions, enroll participants, provide educational materials, conduct participant meetings and provide customer service.
 - [Administration. Accept contributions for multiple employers, process transactions, recordkeep individual accounts, pay benefits, issue participant statements and provide reports and communications as required by the Superintendency for Pensions, the pension regulatory authority.
- 2) meet the following minimum requirements:
 - [Portfolio Management. Twenty years experience in portfolio management with at least ten years international-global asset management in excess of \$ 10 billion.
 - [Participant Services. Ten year experience administering participant pension accounts with at least 100,000 participant accounts administered annually for each of the last three years.
 - [Annual Report/Audited Financial Statements. Copies of a firm's annual reports and audited financial statements for the last three years will be required.

Written responses to the RFP may be submitted in Spanish or English and will be required to be signed by an officer of the firm or consortium bidding. To receive this RFP, including plan specifications, growth projections, investment policy and economic data on Bolivia, please write or fax your name and telephone number, firm name and address to:

Edgar Saravia
 Secretaría de Capitalización
 Ministerio de Capitalización
 República de Bolivia
 La Paz, Bolivia

Telephone: 591 2 35 67 38 or
 Fax: 591 8 11 28 68
 Internet Access: CAPUYPRB@wara.boinet.bo

Road Shows to further describe this opportunity will be conducted between July 23 and August 16, 1996 in New York, Miami, Paris, and Madrid.

INVITATIONS TO THE ROAD SHOWS WILL BE FAXED BY JULY 23, 1996 TO ALL INQUIRIES RECEIVED BY JULY 19, 1996.

THE REPUBLIC OF MAURITIUS
 US\$150,000,000
 Floating Rate Notes due 2000

In accordance with the provisions of the Mauritius Public Finance Act of 1995, the issuer hereby gives notice that the tender for the issue of the above mentioned Floating Rate Notes will be held on 15th July 1996 at 9 o'clock in the morning in the Mauritius Stock Exchange, at the Mauritius Stock Exchange, 10th Floor, 10th July 1996 at 9 o'clock in the morning in the Mauritius Stock Exchange, at the Mauritius Stock Exchange, 10th Floor, 10th July 1996 at 9 o'clock in the morning in the Mauritius Stock Exchange.

Agreed Bank
 National Bank plc

EUROPEAN COAL AND STEEL COMMUNITY
 FRF 500,000,000
 FRF 500,000,000

Notice is hereby given that the sale of interest in the period from July 08, 1996 to October 07, 1996 will be held on 15th July 1996 at 10:00 a.m. in the Grand Palais, Paris, France. The coupon number is 11. The amount of FRF 500,000,000 will be denominated in FRF 100,000,000 for the denomination of FRF 1,000,000,000. The next payment date is October 07, 1996. Coupon nr: 11. Amount: FRF 257,78 for the denomination of FRF 100,000,000. FRF 2,677,86 for the denomination of FRF 1,000,000,000. FRF 26,778,60 for the denomination of FRF 1,000,000,000.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST
LUXEMBOURG

SGA SOCIETE GENERALE ACCEPTANCE N.V.
 FRF 300,000,000 REVERSE FLOATING RATE NOTES
 DUE APRIL 2005 ISIN CODE : XS0041592784

For the period July 08, 1996 to October 07, 1996 the new rate has been fixed at 10,535759% P.A.
 Next payment date: October 07, 1996 Coupon nr: 11
 Amount: FRF 257,78 for the denomination of FRF 100,000,000
 FRF 2,677,86 for the denomination of FRF 1,000,000,000
 FRF 26,778,60 for the denomination of FRF 1,000,000,000

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST
LUXEMBOURG

COMPANIES AND FINANCE: UK

Glaxo close to own triple Aids therapy

By Daniel Green in Vancouver

Glaxo Wellcome, the UK's largest drugs company, this week said that it hoped to have its own triple combination of drugs for Aids on sale within two years.

Three triple combination treatments have been approved in record-breaking time this year by medical regulators. They are made by Merck and Abbott Laboratories of the US and Switzerland's Roche.

are also likely to try to secure access to drugs like AZT and 3TC, either through their own research efforts or alliances with other companies.

are between \$10,000 and \$15,000 a year for triple therapy, but it was "unrealistic" to expect static prices as volumes grew quickly.

Lloyds Chemists issues warning

By Christopher Price

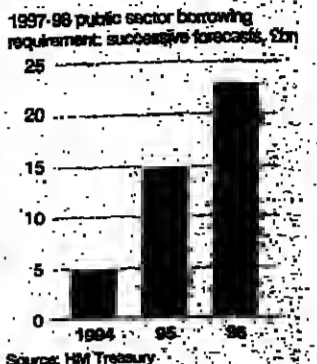
Lloyds Chemists, the UK pharmacy group under siege from Unichem and Geba, yesterday warned second half profits would be hit by the uncertainty caused by the bids, both of which have been referred to the Monopolies and Mergers Commission.

LEX COMMENT

The economy

According to Mr Kenneth Clarke, chancellor of the exchequer, Britain's public sector borrowing requirement is "unambiguously coming down". Up to a point, Mr Clarke's next year's PSBR, for instance, is now forecast at £25bn.

UK economy



Source: HM Treasury

NEWS DIGEST

SmithKline drug receives approval

SmithKline Beecham's treatment for Parkinson's disease, ropinirole, has received approval from the UK marketing authorities - its first licence anywhere in the world.

The drug - to be sold under the trade name of ReQuip - is one of very few developed to relieve the symptoms of Parkinson's, a degenerative disorder of the nervous system.

Analysts estimate that the world market for Parkinson's drugs is worth \$500m (\$780m) a year. Ropinirole sales are projected to reach about £100m a year.

SmithKline Beecham expects approval in other European countries and in the US to follow soon.

Electronic Retailing Systems, the US supplier of electronic shelf labelling systems for retailers, is seeking £7.7m (£12m) via a placing and admission to Aim.

The company is listed on Nasdaq, the screen-based US exchange and this is the first application to join Aim by a Nasdaq-quoted group. Its product allows price changes and stock information to be transmitted between the shelf unit and the store's central computer.

Henderson Crosthwaite has placed 49m shares at 145p each. In addition, directors of ERS have subscribed for 911,657 shares in a private placing to raise £1.3m.

The market capitalisation of ERS is £30.5m and trading is expected to start on Thursday.

Danka in two Australian buys Danka Business Systems, the automated office equipment supplier, is spending A\$33m (\$30m) on acquiring two Australian distributors of photocopiers and faxes.

Bespak's figures flattered by write-back on contract

By Tim Burt

Bespak, the medical equipment group, yesterday announced a return to profits and its first annual dividend increase for more than two years.

The shares rose 27p to 420p after the company said it had reversed losses of £14m (£22m) with pre-tax profits of £16.9m, on increased sales of £76.2m (£66.8m) in the year to May 3.

The figures, however, were flattered by the beneficial effects of resolving Bespak's costly licensing contract with Innovata Biomed, the ML Laboratories subsidiary, over

manufacturing rights for dry powder inhalers. Last year, Bespak announced heavy losses after making an £18.6m provision to cover its contract liabilities, under which it was obliged to pay ML royalties of about £2m a year for the right to sell its inhalers.

Mr Peter Chambré, chief executive, yesterday said the group had been able to write back £8.2m of those provisions after renegotiating the contract.

That exceptional credit helped lift underlying operating profits of £2.96m (£3.82m) to £17.2m, compared with operating losses of £12.8m last year.

Bespak also enjoyed a £1.9m exceptional tax credit, which lifted after-tax profits to £18m, against losses of £15.8m.

Of the £3.1m increase in operating profits - excluding associates - £1.72m was generated in the US, following the restructuring of its North Carolina plant and £1.38m came from improvements in the UK.

Strong demand for its inhaler devices and medical equipment also persuaded the group to announce an increased final dividend of 6.8p (6p), making a total of 11p (10.2p).

RESULTS

Table with columns: Turnover (£m), Pre-tax profit (£m), EPS (p), Current dividend (p), Date of payment, Dividend cover, Total for year, Total last year. Lists results for various companies like Baxley, Bespak, Beca, etc.

Pilkington sells last contact lens business

By Stefan Wagstyl, Industrial Editor

Pilkington, the glassmaker, yesterday announced the sale of its remaining contact lens business for \$79m (\$51m), marking an end to a costly and unsuccessful diversification.

Analysts expressed satisfaction Pilkington had finally put Visioncare behind it. Mr Robin Griffiths, of Albert E Sharp, the broker, said: "It's been a very poor investment."

Investor Relations magazine UK Research Report 1996. Sponsored by THE LONDON FINANCIAL NEWS. THE SECURITIES AND INVESTMENT BANKING WEEKLY. 56% of analysts' and 68% of fund managers' investment decisions are affected by corporate governance standards.*

PHARMACEUTICAL BUSINESS NEWS. The twice-monthly international update on the pharmaceutical industry. Published every two weeks, Pharmaceutical Business News brings you up-to-date news, quantitative analysis, forecasts and inside information on new product introductions and joint venture agreements.

THE NATIONAL GRID COMPANY plc. Reporting Of The Transmission Services Scheme. The Transmission Services Scheme provides The National Grid Company plc (NGC) with incentives to manage certain elements of the costs that arise as a result of the difference between actual generation dispatched on any particular day and the idealised day ahead forecast generation schedule.

GIVE US A STAPLE. And don't forget to add your cheque to fund more Macmillan Nurses to help 1,000,000 people living with cancer. (1 in 3 of us will get cancer) Cheque amount £..... made out to 'CRMF (F3)'

Perfect Polish practice. Unal... what... hun... We can... the ir... Back...

BUSINESS AND THE ENVIRONMENT

Perfect Polish practice

A drive by a UK importer to ensure that its wood products come from "well managed" forests has produced an unexpected discovery - Poland's forestry techniques meet international standards with no need to implement changes.

"We were surprised when we read the report," says Malcolm Caley, marketing director at UK-based Douglas Kane, which commissioned a management assessment of forests in Poland's Katowice region. This covers 606,000 ha of urban, mountain and lowland forest land.

The criteria were drawn up by the Forest Stewardship Council, an independent forest certification organisation established three years ago. Douglas Kane is a member of the World Wildlife Fund "1996 group", a band of UK companies working to ensure that forests are adequately protected. As a result of the audit, conducted earlier this year by SGS Forestry of Oxford, Douglas Kane will be buying more timber products from the area, currently worth about \$500,000 a year.

The report found that Poland's forest rangers had been observing the criteria without knowing about them. "Although at the time there was little specific awareness of the FSC procedures and criteria, management procedures without exception fulfilled the requirements," the SGS report says.

By the beginning of this year FSC-approved bodies had certified 21 forests around the world representing a total of 3.79m ha. Sweden is starting to produce certificates for its products and the movement is spreading to other Nordic countries, Canada and the US.

Last year, Poland exported \$722m (2470m) worth of raw timber and wooden semi-finished products and a further \$747m worth of furniture. The results of the SGS audit in Katowice mean that Polish timber has, potentially, acquired additional value.

Christopher Robinski

The summer months bring a host of pleasures to Woody Tasch, a resident of the idyllic island of Nantucket off the Massachusetts coast: invigorating swims in the ocean and leisurely walks around the neighbourhood.

Yet Tasch says his enjoyment is diminished by an unremitting buzz overhead during the island's peak tourist season: the cacophony created by thousands of aeroplanes flying between Nantucket and the mainland. "We've been dumped on by the air industry for years, and we're not going to put up with it any more," he says.

Tasch's concern is shared not only by fellow island dwellers, but by citizens and environmental groups around the country. Ecologists complain that the US has become saturated with aircraft noise.

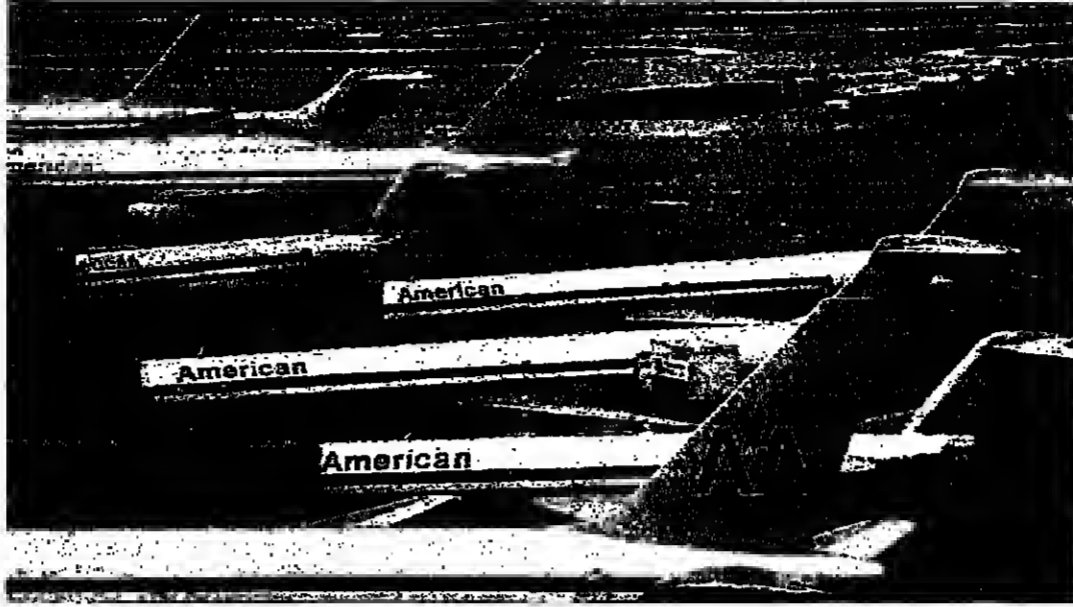
"It's very disturbing that there's nowhere you can go in this country to experience natural quiet," says Elizabeth Thagard, an attorney with the Conservation Law Foundation, an environmental group. "Even in designated wilderness areas, you get this annoying sound of aircraft and helicopters above you all the time. Sometimes it's so bad that you can't even hear yourself talking."

Growing numbers of Americans are travelling by air. Competition has driven down the cost and boosted demand for long-haul flights. With automobile traffic increasing and railways still weak, travellers are also turning to aircraft for short-haul trips of a few hundred miles or less. And scenic aeroplane and helicopter rides have become popular with tourists trying to pack a lot of sightseeing into tight holiday schedules.

The airports are filling up fast as a result. The Port of Seattle, which runs the city's airport, says it is struggling to cope with 386,000 flights annually. The National Park Service estimates at least 70,000 flights take place annually over the Grand Canyon. Nantucket, in peak season, is subjected to 1,000 arrivals and departures daily.

To meet vigorous demand, airports around the country are investing in new facilities. A \$1.2bn (£760m) expansion has been proposed for Logan Airport in Boston, and the Port of Seattle hopes to sink \$405m into a third runway. Smaller airports, too, are looking to add capacity. New Bedford in Massachusetts, for instance, is planning to spend \$30m on an expansion, mostly to accommodate tourist traffic to Cape Cod and nearby islands.

All of these projects are encountering fierce opposition. Even where no expansion plans exist, citizen alliances and environmental groups are pressuring the Federal Aviation Administration to limit noise. Air



Airports are investing in new facilities despite complaints from ecologists that the US has become saturated with aircraft noise

Victoria Griffith on the outcry over noise pollution caused by increasing numbers of aircraft in US skies

Sound of fury

traffic opponents hope to limit flights over Key West in Florida, and re-route some of the traffic flying over the heavily populated area of northern New Jersey.

The issue of aeroplane noise caught the attention of the federal government earlier this year, when President Bill Clinton pledged to return the nation's parks to a state of natural quiet.

The Department of Transportation is developing a rule to reduce sightseeing flights in the Grand Canyon and the Rocky Mountain National Park in Colorado. In June last year, the department reached an agreement with New York air tour operators, who promised to fly no closer than 500ft to the Statue of Liberty.

Ecologists have met with less success in the area of airport expansion. Citizens groups lost a recent battle to oppose added capacity at the Dallas/Fort Worth airport, and may soon face defeat in other parts of the country.

Environmentalists complain they are not taken seriously because noise pollution is not specifically regulated in the US. A special arm of the Environmental Protection Agency mandated to control noise pollution was shut down in the early 1980s by the Reagan administration. Although the FAA officially

arbitrates disputes over air traffic, the agency points out that noise pollution is not one of its primary concerns. "We try to take residents' feelings into account, but our primary mission is to promote the safety and viability of air travel in the US," it says.

Although noise is the biggest sticking point, environmentalists also worry about air quality troubles and wetlands destruction involved in airport expansion. The plans for New Bedford airport in Massachusetts are particularly controversial since they would destroy 180 acres of wetlands, home to a number of rare animal and plant species.

"The expansion of the New Bedford airport would be an outrage," says Heidi Roddis, policy specialist at the Massachusetts Audubon Society, an environmental group. "They say they will replace the wetlands, but how can you replace an ecological system that's been built up over thousands of years?"

Tour operators and the air travel industry believe their opponents ignore the positive economic impact that good airports bring to a community. They also point to efforts they are making to mitigate noise. Papillon, which controls much of the scenic flight business over the

national parks, is developing a new, quieter helicopter, for instance. The aircraft would operate with five blades instead of the more common three, and uses space-age materials to come up with a lighter vehicle.

Cape Air says it is willing to re-route its flights to cut down on noise over Nantucket.

The Port of Seattle points to its \$300m programme to insulate nearby houses against noise. "We've already installed soundproofing in 4,000 homes and hope to do another 6,000 over the next four years," says Anita Risdon, in charge of marketing for the entity. "We spend a lot of money and effort trying to be a good neighbour, but in the end you have to consider the economic benefit, too."

Air traffic opponents seem set for victory in the national parks, where efforts are already under way to limit flights. Yet controlling air use over local airports is likely to prove a far bigger challenge.

Many areas see good airport facilities as part of a region's economic lifeblood, and noise pollution is not taken as seriously as, for instance, air and water quality. Yet environmentalists say they'll keep fighting. "The odds seem to be against us," says Tasch. "But we're optimistic that we can at least get a few concessions."

John Griffiths looks at a possible solution to cold 'cats'

Warming to converters

Metreon, the US joint venture formed a year ago to develop and produce next-generation vehicle catalytic converter systems, has begun talks with 13 European carmakers on "cats" capable of meeting Europe's proposed tough new Euro 3 exhaust emissions laws.

The partners in Metreon are Engelhard Industries, the special materials and precious metals group, and WR Grace, the chemicals group.

John Mahoney, Metreon's general manager, says Metreon is considering a number of possible sites in Europe as a manufacturing base to supply European carmakers with a new form of "cat" which, it says, should be capable of complying fully with the Euro 3 standards.

These standards are still being finalised in Brussels but are scheduled to be introduced before the end of the decade. While the precise levels of allowable pollutants have not been finally agreed, they will require improved performance over current catalytic converters - particularly in the "light-up" phase.

This is the 30-second or so period when the engine is running but the catalytic converter has not warmed up sufficiently to deal effectively with pollutants.

Carmakers have been exploring various ways to deal with the problem. These range from temporarily feeding the exhaust into an inflatable bag until the

"cat" warms up, before recirculating the exhaust gases through the engine, to installing pre-heaters for the catalyst. Such "non-passive" systems, however, involve additional cost and complexity.

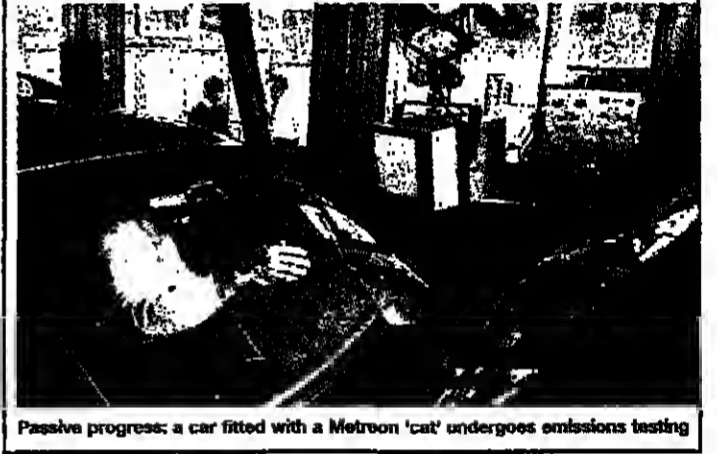
Drawing on the resources of its joint parents - Engelhard and Grace are, respectively, two of the world's leaders in emission control technologies and specialised chemicals - Ohio-based Metreon has developed a "passive" system which it insists will not be substantially more expensive than conventional "cats".

The system is already undergoing trials with two of the US's big three carmakers. Mahoney says.

Its fundamental difference compared with a conventional converter is that the metal foil which forms the core of the system is pre-coated with the catalyst when it is in flat sheet form, rather than dipped after assembly.

Not only does this provide greater consistency of operation, but it means the core can be formed into more complex configurations with higher cell densities, thus increasing the catalyst surface area to which incoming gases are exposed.

Initial demand for the system is to be met from the Ohio facility, says Mahoney, with a European facility likely to be brought on-stream towards the end of the decade.



Passive progress: a car fitted with a Metreon 'cat' undergoes emissions testing

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INTERNATIONAL CAPITAL MARKETS

Europe unmoved by sell-off in US Treasuries

By Samar Iskander in London and Lisa Branston in New York
European government bonds were well supported yesterday, as traders appeared unmoved by last Friday's sell-off...

decouple temporarily from US dominance. However, some traders reported arbitrage-driven futures transactions aiming to take advantage of the widening of Treasury yield spreads over bonds.

his budget plan for 1997 would show a deficit of less than 3 per cent of GDP, allowing the country to meet the Euro timetable.

good news down the road." Mr Brown also said any spread widening over bonds should be seen as a buying opportunity.

UK gilts were boosted by slightly bullish PBR data. Liffe's September long gilt futures settled at 106 1/2 up 1/2...

of the maturity spectrum, the two-year note was unchanged at 9 1/2, yielding 6.60 per cent. The September 30-year bond future was a stronger at 108 1/2...

Granada returns to refinance part of Forte facility

By Antonio Sharpe
Granada, the UK television and leisure group, has returned to the syndicated loans market to refinance a small part of the £2.5bn three-year syndicated loan which it took out last year to fund its acquisition of Forte, the UK hotel company.

Loans which are now in syndication include the much removed £182.5m senior debt facility to finance the management buy-out of Dunlop Management from BTR.

SYNDICATED LOANS
BZW, Chase and NatWest have been asked to arrange a \$550m six-year facility at a margin of 20 basis points over the London interbank offered rate (Libor)...

Elsewhere, bank appetite for emerging-market credits continues to be strong. The National Bank of Hungary is seeking to raise \$50m through a five-year loan with a margin of 50 basis points over Libor...

Japan's Exim Bank launches \$750m 'euro-asian' offering

By Richard Lapper and Samar Iskander
A \$750m five-year issue by the Export-Import Bank of Japan, the government-guaranteed export credit agency, and a DM250m five-year issue for the Republic of Poland were the two highlights among yesterday's new issues in the euro-market.

The dual listing, as well as the maturity, which is also unusual for this type of issue, are designed to help the issuer tap a wider range of investors.

led by Deutsche Morgan Grenfell and Cit First Boston, with the yield spread falling by 2 basis points to 63 points by the close.

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Lists various international bond issues including Argentina, Poland, and others.

WORLD BOND PRICES

Table with columns: Country, Coupon, Bid, Offer, Price, Days' change, Yield, Week ago, Month ago. Lists benchmark government bonds for Australia, Canada, Denmark, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Index, Jul 9, Jul 8, Jul 7, Jul 6, Jul 5, Jul 4, Jul 3, Jul 2, Jul 1, Jul 0. Lists various fixed interest indices.

UK INTEREST RATES

Table with columns: Rate, Bid, Offer, Price, Days' change, Yield, Week ago, Month ago. Lists UK interest rates for Treasury Bills and Bond Yields.

FT/FISMA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Offer, Price, Days' change, Yield, Week ago, Month ago. Lists international bond service data.

BOND FUTURES AND OPTIONS

Table with columns: Future, Open, Settle, Price, Change, High, Low, Est. vol., Open int. Lists bond futures and options data.

UK GILTS PRICES

Table with columns: Issue, Bid, Offer, Price, Days' change, Yield, Week ago, Month ago. Lists UK gilts prices.

OTHER FIXED INTEREST

Table with columns: Issue, Bid, Offer, Price, Days' change, Yield, Week ago, Month ago. Lists other fixed interest data.

CONVERTIBLE BONDS

Table with columns: Issue, Bid, Offer, Price, Days' change, Yield, Week ago, Month ago. Lists convertible bonds data.

INTERNATIONAL BONDS

Table with columns: Country, Coupon, Bid, Offer, Price, Days' change, Yield, Week ago, Month ago. Lists international bonds data.

Vertical text on the right edge of the page, including 'US busin' and 'BASE LINE'.

CURRENCIES AND MONEY

MARKETS REPORT

US business export fears push dollar lower

By Graham Bowley

Fears that US businesses might lobby for a weaker dollar to boost exports took the shine off the US currency on the foreign exchanges yesterday.

The pound weakened after the UK government unveiled its summer economic forecast, which, as expected, revised down projections for growth but added about \$9bn to next year's public sector borrowing requirement.

The D-Mark strengthened against most other European currencies after a Bundesbank official indicated that the D-Mark's correction against the dollar may now be complete.

Concern about weakness in the Swiss economy and the expectation that monetary policy would remain relatively lax caused the Swiss franc to record some of the biggest losses against the D-Mark, although these were not large.

The Italian lira fell early in the trading session over concern that budget proposals might be delayed before the currency recovered most of its losses.

The dollar finished in London against the D-Mark at DML5383 from DML5384, and against the yen at Y110.94 from Y110.95.

The Swiss franc ended unchanged against the D-Mark at 82.7 centimes. Sterling closed at DM2.9357 and \$1.5517 from DM2.9375 and \$1.554.

The dollar ran into trouble early in yesterday's session following overnight reports that the chairman of Caterpillar, the US manufacturer, said that the dollar's rise to a 59-month high against the yen was "wor-

risome, and may require government action".

Traders said this raised some fears that the US corporate sector might bring pressure to bear on the US authorities to change policy in order to weaken the dollar.

But Mr Tony Norfield, treasury economist at ABN Amro in London, said the remarks provided a short-term excuse for investors to sell the dollar rather than any fundamental reasons to avoid the currency.

He said the dollar had been sluggish over recent sessions but that the market was surprised the currency had not fallen further given the sharp sell-off in US bond and equity markets at the end of last week.

He said: "What we are seeing are signs of a decoupling in interest rate markets between the US and Europe. Expectations of higher interest rates in the US are supporting the dollar while promises to cut deficits in Europe are keeping

Finance would not welcome a further weakening of the yen since this might mean they would have to raise interest rates to offset the yen's depreciation.

Research by analysts at HSBC Midland in London said the reason the dollar had not sold off in line with US asset markets was that investors were afraid of being caught off guard by a sudden and unexpected interest rate rise by the US authorities.

But they said this was out of a situation which would support a strong and sustainable rally by the dollar since worries about rising inflation were bound to mount until the Federal Reserve raised rates.

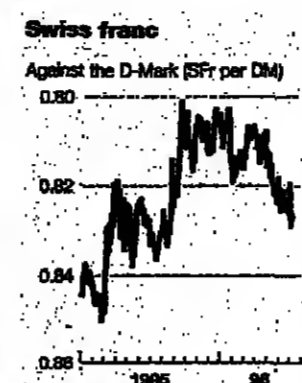
"A Fed playing catch up with the markets and falling behind the curve brings back memories of 1994," the analysts say.

The dollar's weakness helped drag sterling lower, although there were other reasons for

the pound's weakness. Mr Norfield said sterling interest rate markets had performed well over recent weeks after economic data showing weak inflationary pressures fuelled optimism about further interest rate cuts.

Yesterday's summer economic forecast from the British Treasury reinforced these expectations of further interest rate easing, traders said. As a result, it was a further negative factor weighing on the pound, they said.

But Mr Turner said the pound's decline was not a serious setback. He said sterling would remain strong until the UK's inflation and trade performance began to deteriorate in about a year's time.



Source: FT Data

downward pressure on European interest rate expectations.

Mr Chris Turner, currency analyst at BZW in London, said there was a perception in the markets that the Japanese authorities were shifting their stance on policy in favour of a stronger yen against the dollar.

He said the feeling was that the Japanese Ministry of

WORLD INTEREST RATES

Table with columns: Country, Currency, Rate, and other financial indicators. Includes entries for Belgium, France, Germany, Italy, Netherlands, Switzerland, US, Japan, and UK.

EURO CURRENCY INTEREST RATES

Table showing interest rates for various Eurozone currencies including Belgian Franc, Dutch Guilder, French Franc, German Mark, Italian Lira, Spanish Peseta, and UK Pound.

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Country, Closing, Change, Bid/offer, Day's high/low, One month, Three months, One year, and Bank of England rate. Lists various countries like Europe, Americas, and Asia.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Country, Closing, Change, Bid/offer, Day's high/low, One month, Three months, One year, and J.P. Morgan rate. Lists various countries like Europe, Americas, and Asia.

CROSS RATES AND DERIVATIVES

Table showing exchange rates and derivatives for various currencies including D-Mark, Japanese Yen, and Swiss Franc.

UK INTEREST RATES

Table showing London money rates for various terms like overnight, 7 days, one month, three months, six months, and one year.

EMU EUROPEAN CURRENCY UNIT RATES

Table showing EMU European currency unit rates for various countries like Spain, Netherlands, Belgium, Germany, Austria, Portugal, France, and Denmark.

UK MONEY RATES

Table showing UK clearing bank base lending rate and other money market rates.

BASE LENDING RATES

Table showing base lending rates for various banks and financial institutions.

SHORT TERM STERLING OPTIONS

Table showing short term sterling options for various currencies and terms.

BASE LENDING RATES

Table showing base lending rates for various banks and financial institutions.

EURO CURRENCY INTEREST RATES

Table showing Euro currency interest rates for various currencies.

EURO CURRENCY INTEREST RATES

Table showing Euro currency interest rates for various currencies.

BASE LENDING RATES

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EURO CURRENCY INTEREST RATES

Table showing Euro currency interest rates for various currencies.

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COMMODITIES AND AGRICULTURE

Experts urge easing of Canada's grain monopolies

By Bernard Simon in Toronto

Canadian wheat farmers should be allowed to sell part of their crop at prevailing market prices rather than through the Canadian Wheat Board's pool system, a government-appointed group of experts urged in a report released yesterday. The recommendation is one of several significant reforms to Canada's grain marketing system proposed by the group, which was set up in the wake of growing criticism of the Wheat Board's 61-year-old monopoly. Other proposals include the total abolition of the board's monopoly on feed barley, thereby freeing farmers to sell their production on the open market. In addition, the wheat board, which is among the world's biggest grain exporters, would be reorganised to make it more accountable to farmers. The changes would include a majority of directors elected by producers, and a chief executive officer reporting to the directors. The board's commissioners are at present appointed by the government. Since its creation in 1936 it has been the sole marketing agency for all wheat, oats and barley grown on the Canadian prairies for

human consumption. Canada's wheat exports totalled 20.4m tonnes and barley exports 4.2m tonnes in the 1994-95 season. Supporters contend that the board has helped farmers by providing price stability through its annual "pooling" or price-averaging system supported by delivery quotas. It has a global marketing network matched only by the big US and European grain companies. However, a growing band of critics, led by a vocal group of farmers in Alberta, maintains that farmers can do better by selling their own harvest, especially in the lucrative US market. Several farmers have flouted the rules in recent years by trucking their crop across the border. The board has also been widely criticised for the secrecy of its marketing and pricing practices. The government has yet to decide whether to implement the group of experts' recommendations. Mr Ralph Goodale, agriculture minister, said yesterday he intended to move as quickly as possible. Public comments have been invited up to the end of August. The group, chaired by Mr William Molloy, a Saskatchewan lawyer, said it encour-

New doubt raised over Queensland zinc mine

By Bruce Jacques in Sydney

The row over development of the \$1.1bn (US\$900m) RTZ-CRA Century zinc mine in the Australian state of Queensland, has continued this week with key tribal leaders claiming local aborigines had voted overwhelmingly against the project. Mr Murrando Yanner, co-ordinator of the Carpentaria Land Council, said a meeting of 22 aboriginal leaders on Thursday last week had voted unanimously to reject the project. Mr Yanner said this vote rendered invalid claims by both RTZ-CRA and the Queensland

Government that an earlier poll had gone in favour of the development. He said tribal leaders had been confused at the earlier vote, which the company and the Queensland government had portrayed as a definite go-ahead. The chairman of the United Federal Regional Corporation, Mr Clarence Waldon, supported Mr Yanner, claiming the media and the Australian Prime Minister, Mr John Howard, had set out to divide and rule aboriginal people. Earlier, Mr Howard had described the development of Century as "a win-win" situation. He said there was a great desire "by sensible people" to

see Century succeed. "Some people on the fringes are making careless statements," he said. Mr Yanner also made sweeping claims of bribery, corruption and racism against RTZ-CRA and the Queensland and Federal governments, and called for a senate inquiry into the matter. He also accused the ATSIC aboriginal representative body of undermining land rights. But RTZ-CRA and the Queensland Premier, Mr Bob Borbidge later dismissed the claims, and the Queensland government continued with the formulation of new legislation to facilitate the project.

The managing director of Century Zinc, Mr Ian Williams, also said on Monday that he did not believe any basis existed for a High Court challenge to legislation enabling the mine to proceed. The Queensland government is also embroiled in a controversy over a plan by the RTZ-CRA subsidiary Comalco to build a \$450m alumina refinery - potentially the world's largest - in the state. The state's Labour deputy opposition leader, Mr Jim Elder, claimed Comalco had already decided to shelve the project because the government had failed to negotiate with it effectively. He claimed

Comalco was now looking at sites in Malaysia for the refinery. Mr Borbidge said negotiations with Comalco were continuing, but the company was "driving a hard bargain" on tax concessions and sale of electricity. A statement from Comalco said the company had made no decision on the refinery. **LME WAREHOUSE STOCKS** (As at Thursday's close) (tonnes) Aluminium 4,800 to 50,875 Aluminium alloy 400 to 98,280 Copper 1,750 to 52,580 Lead 280 to 10,575 Nickel 280 to 10,148 Tin 25 to 10,720

MARKET REPORT Copper prices settle in mid-range

COPPER prices finished a choppy day on the London Metal Exchange slightly lower yesterday, but settled roughly midway between the day's low of \$1.865 and the high around \$1.960 a tonne. The three months delivery position was down \$8 at \$1.925 a tonne, after persistent selling pressure during the morning session met light buying during the afternoon. The cash maintained a premium of around \$60 over three months. News of a 7,750-tonne draw-

down from LME warehouse stocks was more than most traders had expected, and gave values an early boost. But follow-through buying was slow to emerge. Three months ALUMINIUM edged back \$2 to \$1,501 a tonne after dipping below the \$1,500 level twice during the day. The market looked technically vulnerable, with a test of key support at \$1,490 likely soon, traders said. At the London Bullion Market precious metals pushed higher in the afternoon, sup-

Caribbeans try new banana war strategy

Leaders are frustrated following the US rejection of their truce call, writes Canute James

Following the rejection by US president Bill Clinton of an appeal for a truce to the Great Banana War, Caribbean producers are seeking a more direct path to resolving the row over access to the European market. The region's leaders appear slightly angry and increasingly frustrated that the US administration is being inflexible on the matter. They will hold talks with Latin American producers in October. The meeting is being convened by Mr Oscar Arias, a former president of Costa Rica, and will seek a solution to the quarrel over the European Union's import regime. The move by the Caribbeans for direct negotiations with Latin American exporters suggests that the islands are running out of options in countering what many leaders say is a threat to several banana-dependent economies. As members of the African, Caribbean and Pacific (ACP) group, the Caribbean producers have preferential access to the European market. Latin American producers, whose access is controlled by quotas, claim this is discriminatory. The Caribbeans were hoping for a comforting reply to their

letter to President Clinton, a few days before the filing of a complaint to the World Trade Organisation against the EU regime. The complaint is being supported by Ecuador, Guatemala, Honduras and Mexico. "We have sought and have not intended to take action that would hurt the economies and democracies of these Caribbean nations, which depend on banana exports for a large share of their income," he added, however. "We cannot accept certain discriminatory

We have told the US that it is wrong for it to affect our livelihood while cutting aid to us' used every opportunity to try to ascertain from your trade representative and his officials the real nature of the US' concerns with the European Union's banana import regime," the Caribbean leaders told the president. Such clarification was needed, they claimed, "especially since the US is not an exporter of bananas and two of the three US banana marketing companies have increased substantially their share of the EU market in recent years. Our efforts have not only been unsuccessful, but each demarche has been followed by an escalation of action by the US trade representatives". President Clinton told the producers that "the US does

We have told the US that it is wrong for it to affect our livelihood while cutting aid to us' We have told the US that it is wrong for it to affect our livelihood while cutting aid to us. The US must stop hurting us and allow us to earn our livelihood. The Caribbean producers have been further depressed by the decision of the EU's banana management committee to increase the quota for non-traditional, mainly Latin American, exporters from 2.2m tonnes to 2.55m tonnes. Mr Ferival Patterson, Jamaica's prime minister, contended that this was a result of persistent US pressure on the EU's banana import regime and was meant by Brussels to mollify the Americans. There are negative implications for prices to the ACP producers, he said. Caribbean leaders are hoping that the October meeting with the Latin American producers, which will be at ministerial level, will be attended by those countries that are supporting the complaint to the WTO. "We are hoping that they will all attend," said Mr Manuel Esquivel, the prime minister of Belize. Government officials have spoken of "contacts" with Ecuador and Mexico, and of a "willingness to seek dialogue", The Caribbean leaders appear

to be hoping for a softening of positions which would make possible the planned conference. "The meeting will seek a solution through dialogue to this problem over the EU banana market," said Mr Esquivel. "Hopefully this will provide the basis for a challenge to the complaint at the WTO." There is no indication, however, that the Caribbean producers will be making any concessions. They maintain that severe economic damage will be done to the region's economies if the preferences are dismantled and the market is opened. The smaller farms on hilly land and higher wages to farm labour in the Caribbean make the island's fruit more expensive than that of Latin America's large plantations. The ACP group produces about 3 per cent of the world's bananas, according to the Caribbean producers. "Regrettably, we do not have the resources for the lobbying and to fight this matter at the WTO," said Mr James. "But it is important for us to fight to keep our market because of Joe the banana business it will be a setback for the entire region."

COMMODITIES PRICES

BASE METALS

Table with columns for metal type (Copper, Aluminium, Zinc, Lead, Tin), price change, high, low, and open prices.

Precious Metals continued

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, high, low, and open prices.

GRAINS AND OIL SEEDS

Table with columns for grain type (Wheat, Soybeans, Maize, Barley), price change, high, low, and open prices.

SOFTS

Table with columns for soft commodity type (Cocoa, Coffee, Sugar), price change, high, low, and open prices.

MEAT AND LIVESTOCK

Table with columns for livestock type (Cattle, Hogs, Pigs, Sheep), price change, high, low, and open prices.

ENERGY

Table with columns for energy type (Crude Oil, Heating Oil, Gas Oil), price change, high, low, and open prices.

PRECIOUS METALS

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, high, low, and open prices.

FUTURES DATA

Table with columns for futures type (Crude Oil, Natural Gas, etc.), price change, high, low, and open prices.

INDEXES

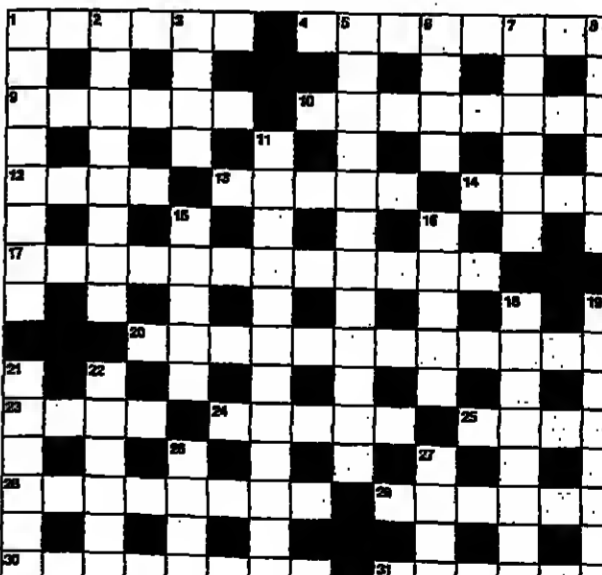
Table with columns for index type (S&P 500, FTSE 100, etc.), price change, high, low, and open prices.

JOTTER PAD

Table with columns for commodity type (Aluminium, Copper, etc.), price change, high, low, and open prices.

CROSSWORD

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- 1. A financial authorisation provided by reputable land...
2. The artist keeping the man's bird...
3. Dig out a place of confinement under the river...
4. The last of Thanksgiving bird is carved...
5. I am let out at any time, but left winger...
6. The minimum acceptable for malty and the consequences...
7. Will I ever divulge the composer's name?...
8. She received a prolific, but faded, swimmer - her love...
9. Believe stupidly giving a crazy cook a MEX...
10. Soldier intends to obtain financial independence...
11. Peaceful flat...
12. A visitor, not a good man, shows symptoms of illness...
13. Ted Price is ailing and run-down...
14. Arranged introduction of former model band...
15. Sally transplanted pear tree...
16. Girl coming out meets teacher returning rubbish...
17. A ball in a hole, for example, do the train...
18. Make fun of an item of underwear during evaluation...
19. Lumberjack's lost opener for water container...
20. For a botanist the meadow is an educational topic...
21. The artist keeping the man's bird...
22. Dig out a place of confinement under the river...
23. The last of Thanksgiving bird is carved...
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36. A ball in a hole, for example, do the train...
37. Make fun of an item of underwear during evaluation...
38. Lumberjack's lost opener for water container...
39. For a botanist the meadow is an educational topic...
30. SOLUTION 9,115

JAVIERO 1350

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 673 4378 for more details.

Main table containing financial data for various offshore funds and insurance products, including columns for fund names, prices, and performance metrics.

OFFSHORE INSURANCES

Table listing various offshore insurance policies and their associated costs and terms.

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FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 678 4978 for more details.

Main table listing various fund categories such as Global International, Alpha Fund Management, Credit Investment Funds, and others, with columns for fund names, prices, and performance metrics.

WHEN THE MARKETS CLOSE, THE GARDEN BRASSERIES STILL TRADE. You can enjoy a meal at any time from 6.00am to midnight in the Garden Brasserie at any of our 18 hotels...

OTHER OFFSHORE FUNDS

Table listing other offshore funds including ATP Management, AXA Asset Management, and others.

MANAGED FUNDS NOTES: Please see page 10 for more details on the funds listed in this section. The fund prices are as at 10.00am on 10 July 1996.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Rest sector.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector.

BUILDING MATS & MERCHANTS

Table listing companies in the Building Mats & Merchants sector.

CHEMICALS

Table listing companies in the Chemicals sector.

CHEMICALS - Cont.

Continuation of Chemicals sector table.

DISTRIBUTORS

Table listing companies in the Distributors sector.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector.

ELECTRICITY

Table listing companies in the Electricity sector.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Equipment sector.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector.

ENGINEERING - Cont.

Continuation of Engineering, Vehicles sector table.

ENGINEERING, VEHICLES

Continuation of Engineering, Vehicles sector table.

EXTRACTIVE INDUSTRIES

Continuation of Extractive Industries sector table.

ENGINEERING, VEHICLES

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ENGINEERING, VEHICLES

Continuation of Engineering, Vehicles sector table.

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Continuation of Extractive Industries sector table.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic & Electrical Equipment sector table.

ENGINEERING

Continuation of Engineering, Vehicles sector table.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

ENGINEERING

Continuation of Engineering, Vehicles sector table.

EXTRACTIVE INDUSTRIES - Cont.

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EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

ENGINEERING

Continuation of Engineering, Vehicles sector table.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.

INSURANCE

Table listing companies in the Insurance sector.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

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INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

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Continuation of Investment Trusts sector table.

Advertisement for Business Continuity: 'A BUSINESS CAN RECOVER FROM A DISASTER WILL THE DIRECTOR?' with contact number 0500 855311.

ENGINEERING - Cont.

Continuation of Engineering, Vehicles sector table.

ENGINEERING, VEHICLES

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EXTRACTIVE INDUSTRIES

Continuation of Extractive Industries sector table.

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Continuation of Extractive Industries sector table.

ENGINEERING, VEHICLES

Continuation of Engineering, Vehicles sector table.

FOOD PRODUCERS - Cont.

Continuation of Food Producers sector table.

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INVESTMENT TRUSTS

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INVESTMENT TRUSTS

INVEST COMPANIES

INVEST COMPANIES

INVEST COMPANIES

Handwritten Arabic text: 'سكنا صالون'

دکھو صحافت

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for Name, Price, and % Change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

OTHER FINANCIAL - Cont.

Table listing other financial companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies with columns for Name, Price, and % Change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for Name, Price, and % Change.

AIM - Cont.

Table listing AIM companies with columns for Name, Price, and % Change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and % Change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for Name, Price, and % Change.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, and % Change.

OIL, INTEGRATED

Table listing integrated oil companies with columns for Name, Price, and % Change.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, and % Change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for Name, Price, and % Change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for Name, Price, and % Change.

RETAILERS, FOOD

Table listing food retailers with columns for Name, Price, and % Change.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, and % Change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for Name, Price, and % Change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, and % Change.

TOBACCO

Table listing tobacco companies with columns for Name, Price, and % Change.

TRANSPORT

Table listing transport companies with columns for Name, Price, and % Change.

WATER

Table listing water companies with columns for Name, Price, and % Change.

AIM

Table listing AIM companies with columns for Name, Price, and % Change.

Advertisement for Merseyside Workforce: 'OUR MERSEYSIDE WORKFORCE IS ENERGETIC, WITH POSITIVE IDEAS FLYING AROUND THE PLANT. THEY ARE EXCELLENT TEAMPLAYERS. A pool of talent. 0800 22 0151'

PROPERTY

Table listing property companies with columns for Name, Price, and % Change.

RETAILERS, GENERAL - Cont.

Table listing general retailers with columns for Name, Price, and % Change.

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, and % Change.

AMERICANS

Table listing American companies with columns for Name, Price, and % Change.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and % Change.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and % Change.

GUIDE TO LONDON SHARE SERVICE

Guide to London Share Service: Prices for the London Share Service delivered by FT Link... Symbols relating to dividend status appear in the notes column... Market capitalization shown is calculated separately for each line of each company...

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FT Free Annual Reports Service: You can obtain the current annual/interim report of any company included in the FT Cityline... FT Company Focus: Comprehensive 10-14 page report available on the company, containing key FT stories from the last year...

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100's rehabilitation gathers momentum

By Steve Thompson, UK Stock Market Editor

A series of revisions to the official Treasury economic forecasts came as no real surprise to a stock market still seeking to rebuild its confidence after last week's big sell-off.

The second line stocks, represented by the FT-SE Mid 250 index, rallied sharply after Monday's late sell-off, with the index recouping 8.2 at 4,347.7.

Another top trader at a European-owned broker said he expected some form of decoupling by UK and European markets from the US.

Up 16 points ahead of the Treasury revisions in the summer economic statement, the market briefly corrected, and thereafter held steady for the rest of the day.

There were no real sellers about and the market was always going to close well up on the session, said one marketmaker.

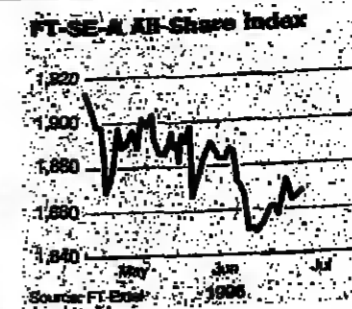


Table with 2 columns: Index Name and Value. Includes FT-SE 100, FT-SE Mid 250, FT-SE-A 350, FT-SE-A All-Share, and FT-SE-A All-Share yield.

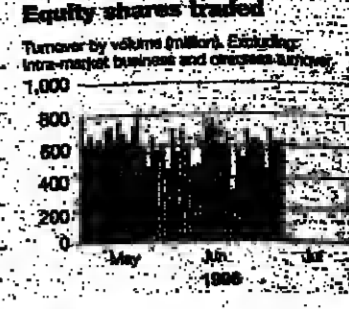


Table with 2 columns: Sector and Value. Lists best performing sectors like Gas Distribution, Transport, and Chemicals.

Crossed wires on Barclays

Market confusion and crossed wires hit the price of banking giant Barclays towards the close of trading.

The prospect of a rights offer was ever-hanging the shares yesterday and left them trailing 2 1/2% after busy trade of 8.7m.

Mr Philip Dorgan at SGST said: "The shares will underperform the market until this uncertainty is cleared up."

Concern that the flotation of Cambrio might have to be pulled hit biotechnology stocks.

Chances of a bid are very unlikely and I expect both stocks to drift down.

FUTURES AND OPTIONS

Table with 4 columns: Index, Open, Settle, Change. Shows FT-SE 100 INDEX FUTURES and FT-SE 100 INDEX OPTION.

Table with 4 columns: Index, Open, Settle, Change. Shows FT-SE 100 INDEX OPTION.

Table with 4 columns: Index, Open, Settle, Change. Shows EURO STYLE FT-SE 100 INDEX OPTION.

TRADING VOLUME

Table with 2 columns: Stock Name and Volume. Lists major stocks like British Petroleum, Shell, and Anglo-Plaza.

Tesco tremors

Food retailer Tesco was one of the day's talking points as speculation that it plans a £2.5bn bid for French group Decaux gathered momentum.

Excitement faded over media reports concerning Guinness sizing up Grand Metropolitan as a possible bid target.

The upgrade reflects a stronger oil price, a more robust chemicals market in the second quarter and BP's improved downstream business.

Excitement faded over media reports concerning Guinness sizing up Grand Metropolitan as a possible bid target.

The upgrade reflects a stronger oil price, a more robust chemicals market in the second quarter and BP's improved downstream business.

FT GOLD MINES INDEX

Table with 4 columns: Index, High, Low, Change. Shows FT Gold Mines Index performance.

Large advertisement for EAST EUROPEAN BUSINESS LAW, featuring text about legal services and contact information for Charlotte Green.

Large table containing FT-SE Actuarial Share Indices and FT-SE Actuarial 350 Industry Baskets, with multiple columns for various indices and their values.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

Table listing stock prices for various European countries including Austria, Greece, Italy, and Luxembourg.

ASIA

Table listing stock prices for various Asian countries including Hong Kong, Japan, Korea, and Taiwan.

AMERICA

Table listing stock prices for various American countries including Canada, Mexico, and the United States.

AFRICA

Table listing stock prices for various African countries including South Africa and Zimbabwe.

INDEXES

Table showing various market indices and their performance.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

AFRICA (continued)

Continuation of African stock market data.

INDEXES (continued)

Continuation of market indices data.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

AFRICA (continued)

Continuation of African stock market data.

INDEXES (continued)

Continuation of market indices data.

EUROPE (continued)

Continuation of European stock market data.

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Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

AFRICA (continued)

Continuation of African stock market data.

INDEXES (continued)

Continuation of market indices data.

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Continuation of European stock market data.

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Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

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INDEXES (continued)

Continuation of market indices data.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

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Continuation of African stock market data.

INDEXES (continued)

Continuation of market indices data.

EUROPE (continued)

Continuation of European stock market data.

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Continuation of Asian stock market data.

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Continuation of American stock market data.

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Continuation of African stock market data.

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Continuation of market indices data.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

AFRICA (continued)

Continuation of African stock market data.

INDEXES (continued)

Continuation of market indices data.

Advertisement for Rockwell, stating 'To be a world leader in diverse businesses you need the very best scientists and engineers. Rockwell has 15,000 of them'.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and volume. Includes sub-sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

Advertisement for Hewlett-Packard with the text 'Reach for it. If the business decisions are yours, the computer system should be ours.' and the HP logo.

Handwritten text 'JANIS L&D' at the bottom center of the page.

Vertical text on the right edge of the page, possibly a page number or reference.

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'A-Z', and 'X-Y-Z'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'A-Z', and 'X-Y-Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for Cyprus, featuring the text 'Have your FT hand delivered in Cyprus' and 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.'

Continuation of stock price tables from the previous pages, including various market indices and individual stock listings.

Dow makes new effort to move ahead

Wall Street

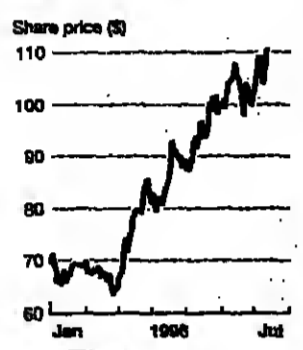
US shares moved higher in early trading yesterday, for the second consecutive session, but with little in the way of economic data it remained unclear whether the market would hold its gains later on, writes Lisa Branstetter in New York.

The market remained choppy in the wake of Friday's sell-off that saw the Dow Jones Industrial Average fall 115 points as strong jobs data sparked fears of an aggressive tightening of monetary policy by the Federal Reserve.

On Monday, shares also rose in early trading only to finish the session lower, even as bonds held steady.

The Dow Jones Industrial

Index



Average yesterday moved as much as 37 points higher in morning trading before falling off its session high. At 1 pm, the Dow was up 26.06 at 5,577.79 and the Standard & Poor's 500 was 2.76 ahead at 655.30, although the American Stock Exchange composite lost 2.47 at 566.44. Volume on the New York Stock Exchange came to 210m shares.

Technology shares were mostly stronger in spite of a series of ratings downgrades from a prominent analyst. The Nasdaq composite had gained 5.82 at 1,154.64 and the Pacific Stock Exchange technology index was up 0.5 per cent.

IBM, a component of the Dow, moved forward 1 1/4 to \$99. LSI Logic, however, lost

Zurich at record on demand for Nestlé, UBS

EUROPE

Heavy demand for index stocks, particularly Nestlé and UBS, powered ZURICH back up to another record close, and the SMI index finished 40.6 higher at 3,773.4.

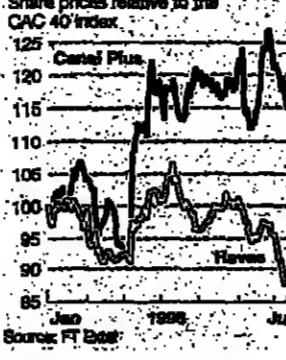
Nestlé was \$Fr14 better at \$Fr1,486, after touching a record peak of \$Fr1,500 as expectations grew for half-year results, due to be unveiled next Tuesday, and with last week's restructuring rumours still having a beneficial effect.

UBS bearers were \$Fr11 ahead at \$Fr1,274, partially due to activity related to an option that is due to expire in the next few days. There were also recurrent rumours that UBS may act soon to sell its stake in Motor Columbus, the utilities company, which jumped \$Fr25 to \$Fr23.18.

Other speculation suggested that Motor Columbus might forge a co-operation pact with German or French companies, or form an energy holding company with Elektrowatt, up \$Fr9 to \$Fr37.2.

The Novartis partners were in demand after Stewart Adkins at Lehman Brothers in London reiterated a recommendation. Ciba rose \$Fr27 to \$Fr1,622 and Sanofi was \$Fr26 higher at \$Fr1,428. Mr Adkins noted that Ciba's generic business, Geneva, was one of the

France



Share prices relative to the CAC 40 index.

three largest in the US with sales of around \$900m. These products were being marketed to managed care purchasers through the same organisation as the branded products. "If Novartis continues this one-stop shopping approach, then buyers will theoretically be able to access about 10 per cent of their prescription need through this one supplier," he said.

PARIS saw Canal Plus feel the effect of Monday's announcements of mergers in the European digital television market. The stock fell \$Fr30, or 2.5 per cent, to \$Fr1,178. However, there was a view

that the deals announced between BSkyB and Kirch, and Germany, and Bertelsmann and CLT, of Luxembourg, could allow Canal Plus the opportunity to choose its own partner in the near future.

Havas, which had also been involved in a possible pan-European television alliance involving all the major players, was off \$Fr7.1, or 1.5 per cent, at \$Fr477.1. On Monday, BSkyB pulled out of a European alliance with Bertelsmann, Canal Plus and Havas which had also been planning to launch a digital service in Germany.

Docks de France, the retailer which runs the Mammoth chain in France, denied market rumours that Tesco, of the UK, was about to emerge as a white knight to challenge a hostile takeover by Auchan, a privately owned group. Auchan has launched a \$Fr17bn bid for Docks, which was unchanged at \$Fr1,222.

The feeling among the investment community was that a Tesco counter-bid was unlikely to succeed, although the UK group was known to want to expand its presence in continental Europe. FRANKFURT was excited by a number of corporate stories as the Dax index closed up

FT-SE Actuaries Share Indices

Table with columns for FT-SE Actuaries Share Indices, including indices for various countries and their changes.

THE EUROPEAN SERIES

Table with columns for THE EUROPEAN SERIES, including indices for various European countries and their changes.

11.14 at 2,562.18, and the Ibis moved marginally ahead to 2,582.67. Turnover was DM7.0n.

The battle to gain control of the German railways telecommunications division DRKCom continued, with the market beginning to favour the chances of Thyssen over Mannesmann. Thyssen rose DM2 to DM297.50 in floor trade and held that price during the Ibis, as Mannesmann rose DM5.80 to DM354.80, and to DM355 in the electronic session.

Another company felt to be attractive at the moment was Deutsche Bank, up DM1.67 to DM2.285, then to DM2.27, after announcing changes to its management structure. On the negative side, Babcock was pressured after it said that it was planning to restructure and predicted a loss for the current year. At the outset of trading, the stock dropped 9 per cent before finishing DM1.20 off at DM68.

AMSTERDAM

MILAN was unsettled by conflicts over budgetary proposals after several parliamentary commissions rejected the government's three-year budget plan. However, shares climbed off their lows after the hard left Communist Refoundation party said it still believed that a deal could be reached and that it did not want the centre-left government to fall. The Comit index fell 0.90 to 683.76, while the real time Mibtel index picked up from a low of 10,378 to close 22 weaker at 10,427.

HELSINKI found support in a strong performance in Nokia, up FM4 at FM179 on hopes that second quarter results from its US rival, Motorola, due later in the day would prove better than forecast. The Hex index rose 21.43 to 2050.01, having gained confidence after Wall Street opened firmer.

Kemira, the chemicals group, remained strong, ending official hours at a new year's high of FM58.00, mainly due to healthy fourth-month results, foreign demand and a lack of sellers. On the kerf, the share drifted back to finish FM0.30 higher at FM51.50.

BRUSSELS saw a cautious early recovery wiped out by late selling pressure which took Bekaert, the main casualty, down 3.4 per cent. The Bel-20 index lost 7.10 to 1,727.82, as Bekaert tumbled \$Fr7.75 to \$Fr24.185 when investors took flight after the company warned that 1996 earnings would fall by 15 per cent from last year's \$Fr3.8n.

AMSTERDAM saw busy activity in Abhold, the retailer, on reports that the company might soon acquire a Portuguese store. The shares rose 40 cents to \$Fr32.50. Abhold already has a big presence in Portugal. The Aex index made 2.31 to 686.76.

MADRID rose as government bonds held on to early gains amid speculation about a cut in the Bank of Spain's key intervention rate at Friday's repo auction. The general index gained 1.51 to 370.88.

Written and edited by Michael Morgan and John Pitt

ASIA PACIFIC

Nervous speculative sales drive Bombay 2.1% lower

Tokyo

Fears of a heavy overnight fall on Wall Street receded, and the Nikkei average finished only marginally lower, writes Erika Terazono in Tokyo.

The 225-stock index lost 5.12 at 21,919.92 after 200 shares between 21,843.75 and 21,978.99. Investors were relieved as Wall Street regained its stability, but some profit-taking and arbitrage-linked selling weighed on prices as most investors remained absent. Some domestic institutions picked up international blue chips, including car and technology shares.

Volume was 266m shares, against 266m. The Toxip index of all first section stocks shed 2.13 to 1,667.22 and the Nikkei 500 lost 0.65 at 2,942.87. Retail issues dipped on profit-taking, Mitsuishi losing Y10 to Y1,160 and Takashi-

Roundup

Nervous speculative selling left BOMBAY 2.14 per cent lower on reports that the former prime minister Mr P.V. Narasimha Rao had been summoned by a court to appear in a cheating case filed by an expatriate Indian against a prominent Hindu holy man.

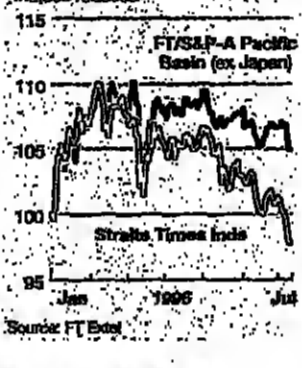
The BSE-30 index fell 79.71 to 3,651.01. SYDNEY recovered some of Monday's loss when the market moved to a four-month low. The All Ordinaries index gained 4.1 at 2,156.3. Turnover was \$A\$65.2m, compared with Monday's \$A\$59.7m.

There were some satisfactory rises among the leading blue chips: BHP moved ahead 25 cents to \$A\$17.27 and CRA advanced 45 cents to \$A\$18.73, while WMC was 10 cents stronger at \$A\$4.64. Aristocrat Leisure, which manufactures gaming machines, ended at \$A\$3.50, a premium of 14 per cent to its issue price of \$A\$2.90, and volume was heavy at 6m shares. In contrast, Golden State Resources, which also listed yesterday, closed at 16.5 cents, a discount of 3.5 cents to its issue price.

HONG KONG made modest gains as investors cautiously picked up bargains following Monday's sharp decline. The Hang Seng index firmed 39.88 to 10,929.63 as turnover dipped to HK\$4.2bn.

Hoong Kong Ferry (Holdings) closed with a gain of HK\$1.15 at HK\$4.85 after Merrill Lynch, which recommended the stock, said the shares were trading at

Singapore



Indices rebounded.

about a 73 per cent discount to estimated net asset value. Furama Hotel Enterprises rose 20 cents to HK\$4 after the company reported a rise in net

profit for the year ended March 31. Shares in China Elegance International Fashion rose 35 cents to HK\$3.625.

Bank of East Asia recouped some of Monday's decline with a 30-cent advance to HK\$23, while Hang Seng Bank moved up 75 cents to HK\$76.75.

SINGAPORE extended its run of losses as concern over the outlook for US interest rates continued to weigh on a market also pressured by expectations of a dull corporate results reporting season. The Straits Times Industrial index ended 5.37 down at 2,215.44, a new closing low for the year. Lindetevs-Jacobson led the active, picking up 3.5 cents to 75 cents in turnover of 6.5m shares on the view that the shares looked cheap for a stock listed on the main board.

KUALA LUMPUR

saw further pressure on Telekom off-set by afternoon buying in blue chips, which enabled the composite index to pick up from a low of 1,124.34 and close 6.14 higher on the day at 1,135.51. Telekom gave up another 60 cents to M\$21.30.

SEOUL rose sharply in late afternoon trade on speculative buying in blue chips, telecommunications and other selected shares. The composite index put on 10.06 at 866.05 in relatively thin trade of 31.4m shares.

Rumours that the Finance Ministry would soon announce new policies to boost the market provided support. The measures were said to include expanding the daily stock fluctuation limit, making requirements for rights issues stricter,

and reducing margin loan deposit requirements. The ministry made no comment.

Among higher telecommunications shares, Korea Mobils climbed Won10,000 to Won715,000 and Telecom rose Won450 to Won150,000.

MANILA was weaker for the second consecutive session as domestic investors remained wary. The PSE index retreated 45.9 to 3,774.26 in turnover of 5.2m pesos.

Among the losers were San Miguel B, down 4.50 pesos to 84 pesos, Ayala Land B, off 50 centavos to 48.00 pesos, and Philippine National Bank, 2.50 pesos cheaper at 450 pesos. Among the constituent indices the commercial and industrial sector fell 47.53 to 4,443.87, property lost 3.81 to 171.25, as mines rose 29.7 to 3,112.00.

Brazil up 2% by noon

There was an upbeat tone evident in SAO PAULO during the morning which left the Bovespa index 1,301.06, or 2 per cent, higher at 64,688 by mid-session.

The momentum behind the rally was provided by Telebras, the telecommunications group, \$R\$2.51 stronger at \$R\$9.50 by midday and accounting for nearly 70 per cent of the total turnover.

Analysts said reports that some investment banks had

been recommending Telebras and upwardly revising earnings estimates had contributed to the demand.

There has also been positive results from the group's subsidiaries, such as Telcel, which has reported a \$R\$322m net profit for the first five months of the year.

MEXICO CITY was slightly higher in early trading, with the IPC index registering a rise of 11.51 at 3,046.36, but turnover was said to be light.

S African stocks make progress

Johannesburg's golds were firmer, after a weak opening, on a stronger bullion price, while industrials were helped after Wall Street opened on the upside. The overall index finished 39.8 ahead at 8,813.2. Industrials gained 47 at 6,173.4 and the gold shares index rose 13.2 to 1,867.1.

De Beers advanced \$R2.35 to \$R149.25, SA Breweries put on \$R2.75 at \$R28.50 and Liberty Investments finished 90 cents firmer at \$R22.40.

Freegold gained \$R1.15 at \$R47.30 but Kood was off 10 cents at \$R7. Anglo American improved \$R2 to \$R27.75 and South African Breweries also appreciated \$R2.75, to \$R128.50.

FT/SE ACTUARIES WORLD INDICES

Table with columns for FT/SE Actuaries World Indices, including indices for various countries and their changes.

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